BALANCED BUDGET 2007

CROWN AGENCY SERVICE PLANS
2007/08 – 2009/10

BRITISH
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2007-04773/

Crown Agency Service Plans
2007/08 – 2009/10

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Crown Agencies exempt from the application of section 13 [*service plans*] of the *Budget Transparency and Accountability Act* from previous years.

552513 British Columbia Ltd.
577315 British Columbia Ltd.
580440 B.C. Ltd.
BC Buildings Corporation
B.C. Community Financial Services Corporation
British Columbia Enterprise Corporation
British Columbia Ferry Corporation
B.C. Festival of the Arts Society
BC Health Care Risk Management Society
British Columbia Health Research Foundation
British Columbia Heritage Trust
BC Immigrant Investment Fund Limited
British Columbia Trade Development Corporation
BC Transportation Financing Authority
BCIF Management Ltd.
Canadian Blood Services
Creston Valley Wildlife Management Authority
Discovery Enterprises Inc.
Fisheries Renewal BC
Forensic Psychiatric Services Commission
Forest Renewal BC
Industry Training and Apprenticeship Commission
Land and Water British Columbia Inc.
Okanagan Valley Tree Fruit Authority
Organized Crime Agency of British Columbia
Pacific National Exhibition
Private Post Secondary Education Commission
Provincial Rental Housing Corporation
Rapid Transit Project 2000 Ltd.
Vancouver Trade and Convention Centre Authority
Victoria Line Ltd.

BC Assessment

OUR SERVICE COMMITMENT **TO YOU** IS TO BE...

2007-2009 SERVICE PLAN

Letter of Transmittal

February 20, 2007

The Honourable Rick Thorpe
Minister of Small Business and Revenue and
Minister Responsible for Regulatory Reform
Legislative Buildings
Victoria, British Columbia V8V 1X4

Dear Minister:

On behalf of the British Columbia Assessment Authority, we have the pleasure to submit our 2007–2009 Service Plan.

This plan fulfills our obligation under the *Budget Transparency and Accountability Act* to provide a service plan with performance measures.

Lillian White

Lillian White
CHAIR
BOARD OF DIRECTORS

Doug Rundell
ASSESSMENT COMMISSIONER

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Message from the Board Chair to the Minister Responsible

February 20, 2007

The Honourable Rick Thorpe
Minister of Small Business and Revenue
Minister Responsible for Regulatory Reform
Government of British Columbia

Dear Minister:

On behalf of the Board of Directors, the management and the employees of British Columbia Assessment Authority, it is my pleasure to present our 2007-2009 Service Plan.

One of the organization's key priorities has, and will continue to be, providing friendly and efficient service to our customers. Over the past few years, the corporation has heightened its service focus to ensure we are meeting the needs of our clients. A Service Commitment statement and clearly defined Service Standards have been developed to ensure that staff understand the organization's values and our commitment to customer service excellence. All staff, new and old, will receive updated customer service training in 2007.

Additionally, we are working to improve uniformity of business practices and are benchmarking our operations with those of other North American assessment jurisdictions to ensure that we are operating as effectively and efficiently as possible.

A significant challenge and achievement for BC Assessment over the past several years was the development and implementation of value*BC*, a new computer information system. The system enables staff to serve clients faster and has improved electronic linkages with tools such as mapping information and government databases. During this process, we have stayed within budget while maintaining high standards for assessment information and customer service. The system has proven to be valuable to both our internal and external customers.

Over the next three years, we will focus on:

- continuous improvement of customer service;
- cutting red tape by streamlining and simplifying our business practices;
- preserving our reputation as an international model assessment jurisdiction;
- maintaining or reducing taxpayer costs for assessment services; and
- improving communications to the public and property owners about the assessment process and its relation to taxation.

The 2007-2009 period promises to be both challenging and rewarding for BC Assessment. Our commitment is to provide exceptional customer service and high quality assessments throughout the province.

Lillian White

Lillian White
CHAIR
BOARD OF DIRECTORS

Accountability Statement

The 2007-2009 Service Plan was prepared under our direction in accordance with the *Budget Transparency and Accountability Act*. We are accountable for the contents of the plan, including the selection of performance measures and targets.

The plan is consistent with government's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions, and identified risks as of December 31, 2006 have been considered in preparing the plan.

We are accountable for ensuring that the British Columbia Assessment Authority achieves its specific objectives identified in the plan and for measuring and reporting actual performance.

Lillian White

Lillian White
CHAIR
BOARD OF DIRECTORS

Doug Rundell
ASSESSMENT COMMISSIONER

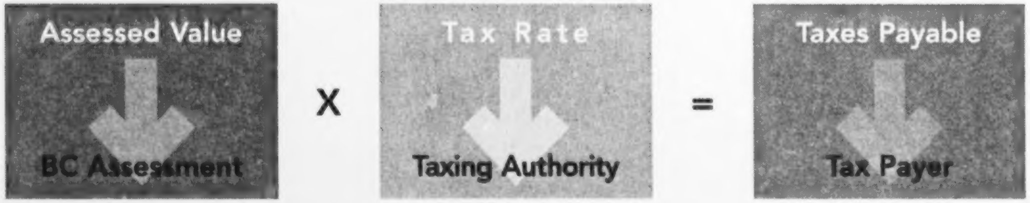
Overview of the Organization

The British Columbia Assessment Authority (BC Assessment) is a provincial Crown corporation established in 1974 with the mandate to produce and maintain assessments that are fair, equitable and uniform throughout the whole of British Columbia. The Board of Directors provides policy direction and performance review, while valuation and operational matters are the responsibility of the Chief Executive Officer and Assessment Commissioner.

BC Assessment's responsibilities are set out in two Acts: the *Assessment Authority Act* and the *Assessment Act*. The *Assessment Authority Act* establishes BC Assessment as a corporation. This Act also provides for the appointment of a Board of Directors, Assessment Commissioner and the funding of BC Assessment by annual property tax levies. The *Assessment Act* establishes the rules under which annual assessment rolls must be created. This Act also sets out the appeal process. The Minister of Small Business and Revenue is charged with the administration of these Acts.

BC Assessment's core function is to establish and maintain uniform real property assessments throughout the province, using current market data as a guide. After determining the correct classification, actual value (estimated market value) and tax exemption status of approximately 1.78 million properties across the province, BC Assessment provides taxing authorities with an assessment roll, which lists all properties, names of the owners and the taxable values of the land and any improvements (buildings). The corporation also sends an assessment notice to each person named in the assessment roll. For some properties, the assessment roll contains values determined in accordance with prescribed rates and manuals approved by the Assessment Commissioner and regulations. Examples include farm land and major industrial property manuals.

ROLES AND RESPONSIBILITIES



The real estate market creates the value and BC Assessment reports it to taxing authorities and property owners. Taxing authorities determine the amount of revenue required to pay for public services, set their property tax rate, apply the rate to the assessed value of properties and send property owners a separate tax notice.

A critical element of the system is that BC Assessment operates *independently* of all levels of government that levy property taxes.

BC Assessment currently employs 586 permanent staff in 20 offices throughout British Columbia. The organization currently consists of 10 regions with 19 areas and assessment offices located throughout the province and a Head Office in Victoria containing the following divisions to support the assessment offices: Assessment; Policy, Audit and Legal Services; Corporate Services; and Communications.

In addition to fulfilling their core duties, the divisions are committed to continually improving customer service, streamlining and simplifying legislation and cutting red tape. Four corporate goals supported by strategies and performance measures, outlined beginning on page 20, form BC Assessment's strategic direction.

Statement of Corporate Governance Practices

BC Assessment is a publicly-funded corporation constituted under the *Assessment Authority Act* and governed by a Board of Directors. The Board of Directors of BC Assessment provides policy direction and performance review, and the Chief Executive Officer and Assessment Commissioner has responsibilities for valuation and operational matters.

Members of the Board are:

Lillian White – Delta, Chair
George Puil – Vancouver, Vice Chair
Barry Clark – Nanaimo
Fred Graham – Cranbrook
Shawn McLaughlin – Prince George
Chris Nicolls – Vancouver
Anna Nyarady – Vancouver
Brian Romer – Sechelt
Allen Tozer – Westbank
Eldon Unger – Chilliwack

Members of the Senior Management Team are:

Doug Rundell - Chief Executive Officer and Assessment Commissioner

Kevin Burr - Corporate Secretary, Coordinator of Corporate Planning, and Executive Assistant to the CEO/Assessment Commissioner

Bruce Turner - Executive Director, Policy, Audit and Legal Services

Connie Fair - Executive Director, Assessment

David Highfield - Executive Director, Assessment

Laurie McAmmond - Executive Director, Corporate Services

Board Committees engage in regular and detailed review of policies, issues, and corporate finances and make recommendations to the Board, where decisions are made.

The Board Committees are:

The Policy, Planning and Service Audit Committee

- This committee deals with all matters pertaining to the Performance Plan, the service audit, and inter-governmental and community policies.
- The members of this Committee are: George Puil (Chair), Fred Graham, Anna Nyarady and Eldon Unger.

The Human Resources and Education Committee

- This committee deals with all matters of human resources, training, and education. The Committee also acts as a reference group during negotiations regarding the collective agreement.
- The members of this Committee are: Chris Nicolls (Chair), Shawn McLaughlin, Anna Nyarady and Allen Tozer.

The Audit and Finance Committee

- This committee deals with all matters relating to financial policies and the annual budget.
- The members of this Committee are: Chris Nicolls (Chair), Lillian White, George Puil and Brian Romer.

The Governance Committee

- This committee reviews, monitors, and reports on Board effectiveness and deals with all matters relating to governance.
- The members of this Committee are: Anna Nyarady (Chair), Barry Clark, Shawn McLaughlin and Lillian White.

The Board of Directors has adopted the guiding principles included in the provincial government's Governance Framework which provide an understanding of the roles and responsibilities for all parties that are part of the Crown corporation governance environment:

- Stewardship, Leadership and Effective Functioning of the Board;
- Clarity of Roles and Responsibilities;
- Openness, Trust and Transparency;
- Service and Corporate Citizenship;
- Accountability and Performance; and
- Value, Innovation and Continuous Improvement.

These principles underlie good corporate governance and form the foundation for the development of a sound governance structure. For more information on board governance practices, refer to the web site at www.bcassessment.ca/about/board.asp.

A Shareholder's Letter of Expectations was signed on July 26, 2006 by the Minister of Small Business and Revenue and on August 8, 2006 by the Chair of the Board of Directors. This document is a public agreement that outlines performance expectations, public policy issues and strategic priorities. It will be reviewed annually and updated as required. The letter is available on the Internet at www.bcassessment.ca.

The Shareholder's letter of Expectations directs BC Assessment to:

- establish and maintain property assessments that are uniform in the whole of British Columbia in accordance with the *Assessment Act*;
- provide support and input for government's comprehensive review of the property assessment system; and
- support the government's five Great Goals for a Golden Decade as set out in the February 2006 Speech from the Throne and government's Strategic Plan.

In addition, the Shareholder directs the Corporation to take the following specific actions:

A Work closely with the Ministry of Small Business and Revenue (Ministry) to assist and facilitate the comprehensive review of the property assessment system in the areas of:

- Governance;
- Service Quality;
- Assessment Methodology; and
- Assessment Policy.

B To address customer service and performance measurement initiatives not considered as part of the assessment system review:

- Build a customer-service orientation within the Corporation by developing and implementing a customer service code consistent with the Ministry's Taxpayer Fairness and Service Code.
- Report out to the Shareholder on the progress and improvements provided by the performance measurement system BCA implemented to benchmark the Corporation's operations against those of other North American assessment jurisdictions. These measurements should include benchmarks that measure service quality to taxpayers.
- Expand on existing efforts to educate and inform the public about the assessment process and its relation to taxation.
- Implement the Issue Alert & Media Inquiry system to act as an early warning for assessment issues, and ensure that it provides a proactive, flexible approach to take action and address issues in a timely manner.
- Report out to the Shareholder on the progress of implementing the strategies identified in the 2006-2008 Service Plan.
- Report out to the Shareholder on the client response turnaround standards.

As directed by the current Shareholder's Letter of Expectations, the Board, Minister's representatives and Assessment Commissioner are working to develop clear roles and responsibilities for the Minister, Ministry, CEO, Assessment Commissioner, and the Board of Directors. The Minister, Board Chair and Assessment Commissioner meet regularly throughout the year.

In 2004, the Board of Directors, in their capacity as the members of the corporation, revised its bylaws to reflect current best practices in corporate governance and began development of a Governance Manual. The manual was completed in 2006 and outlines corporate objectives, policies, corporate authorities, and procedures pertaining to the Board of Directors, the roles of the Board's advisory committees, Board Chair, Vice Chair, Chief Executive Officer, and Corporate Secretary. It summarizes the Board's basic operating parameters for its members and advisory committees, and the executive management team. The development of a Governance Manual fulfills the recommendation of the Board Resourcing and Development Office that was outlined in their publication, *Best Practices Guidelines: Governance and Disclosure Guidelines for Governing Boards of British Columbia Public Sector Organizations.* This document was introduced by the Premier with an expectation that public sector organizations meet the standards.

Accessible

Providing timely access to staff and information

Products and Services

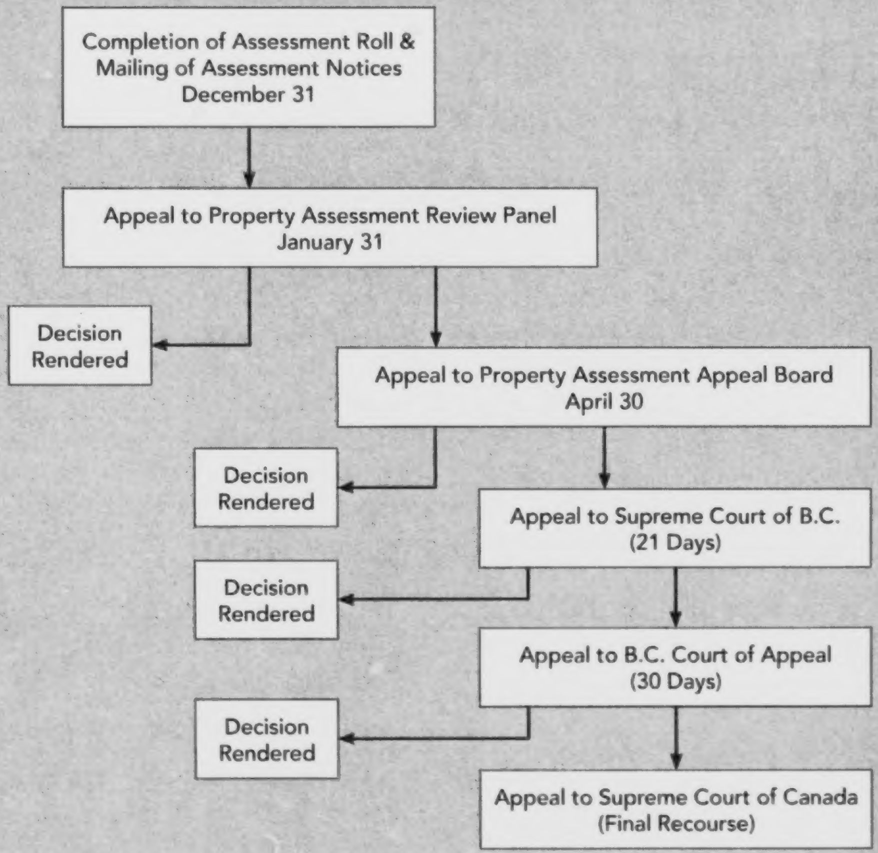
BC Assessment's products and services are relied upon by British Columbians, their provincial, municipal, and regional governments and other public bodies that generate real property tax revenue, including improvement districts, hospital boards, schools and BC Transit. Property assessments form the basis of distributing property tax for over 1,600 different taxing jurisdictions in British Columbia.

The assessment rolls provide an independent, fair and equitable base from which local governments and the provincial government raise $5 billion annually in property taxes. Of this money, $2.7 billion is collected for local governments and $2.3 billion is collected for schools and provincial general revenue. Property tax provides between 40 and 60 percent of funding for local governments and approximately 30 percent of funding for schools.

BC Assessment is funded through property tax levies. Each year, BC Assessment levies a tax upon all taxable property in the province (except for some exemptions). The 2007 revenue forecast has tax levies, payments in lieu of taxes and contract income from First Nations generating $66.9 million.

Each year, property owners have the opportunity to file a complaint regarding their property assessment at the first level of appeal – a Property Assessment Review Panel – provided they have applied in writing or by electronic notification by January 31. BC Assessment funds the costs of the independent appeal process through the Ministry of Small Business and Revenue. A second level of appeal is available through the Property Assessment Appeal Board. Further appeals are through the judicial process.

ASSESSMENT APPEAL PROCEDURE FLOW CHART


Completion of Assessment Roll & Mailing of Assessment Notices December 31
Appeal to Property Assessment Review Panel January 31
Decision Rendered
Appeal to Property Assessment Appeal Board April 30
Decision Rendered
Appeal to Supreme Court of B.C. (21 Days)
Decision Rendered
Appeal to B.C. Court of Appeal (30 Days)
Decision Rendered
Appeal to Supreme Court of Canada (Final Recourse)

BC Assessment does not receive any operating grants or monies from any level of government. The corporation also sells some property information products and services to earn additional revenue.

Annual Assessment Rolls

The assessment rolls contain the legal description, ownership, assessed value, use classification and other details for every property in British Columbia. There are four types of rolls:

- **The Completed Roll:** this is completed by BC Assessment and approved by the Assessment Commissioner in December of each year for taxation in the following year;
- **The Revised Roll:** this includes amendments made by the Assessor and the Property Assessment Review Panels during February and March;
- **The Supplementary Rolls:** these contain changes and corrections to the Revised Roll, and are issued between April and December; and
- **The Grant Rolls:** these contain the assessed value of properties that are exempt from property taxation, such as government properties, schools and hospitals. They are produced annually and provided to exempt property owners and municipalities, and provide a foundation for grants in lieu of property taxes.

Assessment Notices

BC Assessment provides each real property owner with a notice of assessed value of land and improvements. On or before December 31 of each year, assessment notices for approximately 1.78 million properties are sent by mail. All property owners have the option of receiving their notice electronically through Canada Post's *epost*™ by visiting www.bcassessment.ca or www.epost.ca.

For the majority of properties, the assessment is the estimation of a property's market value as of July 1 each year. This means that assessment notices mailed in December of each year reflect the value six months earlier.

Community and Social Initiatives

BC Assessment supports many partnership projects that add value to services that create a strong economy and support communities throughout British Columbia. The Integrated Cadastral Information Society (ICIS) was created as a non-profit organization to create a single source for all provincial mapping data from both government and private sector sources. As a member of the Society, BC Assessment provides staff expertise and data that enables all partners to share resources more efficiently. Additional information about ICIS is available at www.icisociety.ca.

BC Assessment is also a founding sponsor of CivicInfo BC, a web site portal designed to help BC local governments share information and services online. The corporation also works closely with various local government associations such as the Union of British Columbia Municipalities (UBCM) and the Local Government Management Association (LGMA) to address assessment-related issues and provide information that helps taxing authorities create a stable tax base to support many local programs and services.

Assessment data is also provided to the public and private sectors through strategic business partnerships with BC OnLine and other data agents in the private sector. BC Assessment strives to create beneficial partnerships with other provincial government agencies to improve services and save money for taxpayers. Examples include sharing information technology infrastructure services, and being partners in government-wide initiatives such as the Integrated Land and Resource Registry led by the Land Title and Survey Authority under the direction of the Ministry of Agriculture and Lands.

BC Assessment's work culture also promotes personal commitments to giving and helping others through charitable and social causes. Staff regularly participate in activities at the workplace throughout the province to help support others in their communities.

First Nations Assessment Rolls

BC Assessment provides assessment rolls on a contract basis to 55 of the 80 First Nations that have authority to establish independent real property taxation systems.

Statutory Reports

These reports provide value summaries for specific taxation purposes, such as funding for school districts, regional districts, local areas and hospital and transit services.

Commercial Products and Services

BC Assessment provides several products and services available for a fee. These include access through BC OnLine to the published assessment roll, provision of bulk electronic assessment rolls, sales data and residential inventory data, custom reports and professional consulting services. Sales of these services reduce the levy on property owners. These revenues are forecasted to reach $3.80 million in 2007.

Communications

Improving communication is an important key to the relationship between BC Assessment and our customers, as well as an important operational issue between offices and divisions. BC Assessment provides information to the public through: our corporate web site located at www.bcassessment.ca; CivicInfo BC (www.civicinfo.bc.ca), which is a comprehensive local government information sharing site; inclusion of assessment information on BC OnLine (www.bconline.gov.bc.ca); Assessment Link*BC*, an online datamart for local governments; and direct communication with staff at assessment offices. Information on property assessments can be provided in several languages on request at all the area offices throughout the province.

Customer Service

BC Assessment is continually working to improve our customer service. All of our 19 area offices located throughout the province and head office offer convenient toll-free telephone service and generic email addresses for general queries. Additionally, area office contact information is provided in the telephone book and is printed on the front page of the Assessment Notice that is mailed to all property owners in January.

Online services are increasingly popular with the public and BC Assessment is responding to the demand for more web-based property assessment information. Our public web site, www.bcassessment.ca, was redesigned to improve our customers' access to information about the property assessment process, presented in easy-to-understand terms. Assessments and Sales by Address is an online service that enables residential property owners to compare their assessment and any applicable sales to other homes in their area. These services are available from early January to March 15 during the inquiry period and time when the Property Assessment Review Panel addresses complaints. Assessments and Sales by Address are also available in paper form at assessment offices, most libraries, municipal halls and government agents' offices.

Customers can also register to receive their Assessment Notice electronically via *epost*™. This web-based service delivers mail online for Canada Post. More information is available at www.epost.ca.

We serve our customers in different languages whenever possible. We have some staff able to speak and write several languages and some public information materials have been translated for our clients' convenience.

Customers are able to provide feedback for improvement to our management in several ways, including phone, fax, e-mail and front-counter contact. Each year, independent customer surveys are conducted randomly with various property owners to determine how well BC Assessment is serving the needs of its customers. The corporation has developed a Service Commitment and Service Standards in response to our customers' service expectations, and to outline our key values and commitment to customer service excellence.

Special services for customers with disabilities include wheelchair access at all office facilities and redesigning the corporation's public web site to include a text sizing feature for visually-impaired clients.

Review Process

BC Assessment advances the broad public interest by ensuring that the assessment roll accurately represents values and therefore provides a fair, equitable and uniform basis for property taxation. Fairness is a hallmark for BC Assessment employees in their service to the community.

Property owners who question the accuracy or impartiality of their assessment often resolve these issues by meeting with staff at BC Assessment's local offices. If issues are not resolved, property owners may seek a review by independent tribunals. The first level of appeal is to the Property Assessment Review Panel (PARP).[1] The second level of appeal is to the Property Assessment Appeal Board (PAAB).[2] These appeal tribunals, which are administered by the Ministry of Small Business and Revenue, are independent of BC Assessment and the taxing jurisdictions. Higher courts hear appeals based on matters of law.

BC Assessment pays for the cost of operating the Property Assessment Review Panels and the Property Assessment Appeal Board.

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[1] Further information on PARP can be obtained at the Ministry of Small Business and Revenue web site at: http://www.sbr.gov.bc.ca/parp/index.html.

[2] Further information on PAAB can be obtained at the Property Assessment Appeal Board web site at: www.assessmentappeal.bc.ca.

Strategic Context

VISION

We will be the leading property assessment organization internationally and the first choice for property information in British Columbia.

MISSION

We produce uniform property assessments that form the basis for local and provincial taxation while providing information to assist people when making real estate decisions.

VALUES

We are guided by our commitment to:

- **Quality** in our products, services, and work life;
- **Accountability** for our actions and results;
- **Service** that is responsive and sensitive; and
- **Teamwork** in working together as one team and partnering with our clients.

Service Commitment and Standards

Our Service Commitment to you is to be:

- **RELIABLE** – Providing accurate products and professional service;
- **ACCESSIBLE** – Providing timely access to staff and information;
- **UNIFORM** – Being consistent in the way we treat you; and
- **RESPECTFUL** – Maintaining positive relationships.

BC Assessment's new Service Commitment recognizes that customer service is a long-term promise and our employees are focused on building stronger relationships with clients.

The Customer Service Excellence project was initiated by BC Assessment employees to build on a long history of service.

We conducted extensive research and engaged in dialogue with each of our key client groups and stakeholders through a series of focus group discussions.

Based on this research, we created our ***Service Commitment***. This commitment is the foundation of our ***Service Standards*** that give you an outline of what kind of service you can expect whenever you interact with a member of BC Assessment's team.

Reliable

Providing accurate products and professional service

- We use quality audits and performance measures to ensure that you receive accurate and timely data and information.
- We provide current property assessment information to support your decision-making.
- We form partnerships with other organizations and work together in order to provide you with reliable service.
- If we are unable to fully answer your inquiry, we follow up with you in a timely manner and provide the information you need.

Accessible

Providing timely access to staff and information

- We provide convenient access to information about our services, policies, and office contacts on our web site *www.bcassessment.ca*.
- You can contact us by phone or in person any time during regular business hours (8:30 a.m. to 4:30 p.m., Monday to Friday, excluding holidays). During January, business hours are extended to 5:00 p.m.
- Your e-mail, fax and voice-mail correspondence is welcome at any time and will be responded to within two business days of receipt.
- We are committed to developing innovative ways for you to access information and interact with us.

Uniform

Being consistent in the way we treat you

- We apply our legislation, policies and procedures consistently to ensure fairness.
- We provide current legislation and assessment policies on our public web site to help you better understand the need for uniformity and consistency in the assessment process.
- An experienced staff member will respond to questions related to the application of legislation, policies, and procedures.

Respectful

Maintaining positive relationships

- We support a staff culture of teamwork, commitment and mutual respect in order to provide you with excellent service.
- We take the time to listen, understand and respond to your needs.
- We are honest and straightforward in how we interact with you.
- We maintain high professional and ethical standards in the work we do.
- We provide forums and opportunities to hear and respond to our customers' and stakeholders' needs.

For more information on our Service Commitment and Standards, please go to www.bcassessment.ca.

Planning Context and Key Strategic Issues

The following discussion gives an overview of the external and internal strategic issues facing BC Assessment. In addition, there are risks and opportunities related to these strategic issues. These strategic issues must be considered in light of capacity, the ability of BC Assessment to achieve its goals with its current funding, staff and infrastructure while providing excellent customer service, simplifying and streamlining legislation and cutting red tape.

EXTERNAL BUSINESS ENVIRONMENT

Events in British Columbia, and in the larger context of the world, have a direct impact on the operations of BC Assessment. The real estate market has historically been cyclical in nature and these highs and lows in the market directly impact BC Assessment. As it is the job of BC Assessment to establish market value for every property, market movement must be closely tracked annually for BC Assessment to fulfill its mandate. The greater the movement in either direction, the more it can impact the property owners in British Columbia. In addition, other factors that will impact the operations of BC Assessment are described in the following sections.

Customer Expectations

BC Assessment's customers are continually increasing their expectations for products, services and assessment roll quality.
Local governments, taxpayers and commercial customers are placing higher demands on the assessment roll with regard to uniformity, consistency and accuracy. The provincial government has increasing expectations and requirements of Crown corporations. For BC Assessment, these include reporting its financial responsibilities, overview of strategic planning and performance monitoring and making these documents available to the public, and advancement of broader social, environmental and economic development objectives. In meeting these expectations, BC Assessment must maintain the independence of the assessment function so there is no real or perceived conflict of interest in regards to assessment and taxation.

Financial Challenges

BC Assessment relies on property tax levies for the largest part of its revenues and is subject to fiscal policies determined annually by the provincial government. The number of properties that are assessed annually continues to increase but the corporation is meeting this challenge by becoming more efficient and cost-effective. BC Assessment is committed to reducing its reliance on taxpayers through implementing specialization and effective marketing initiatives, including private sector partnerships to streamline the collection and distribution of assessment data. The corporation has developed a new web-based replacement of its current BC OnLine system to make it far more user-friendly and continues to promote and support the increased use of BC OnLine.

Client Service Solutions

Through the sale of assessment information products and services, BC Assessment reduces, to a limited extent, its reliance on taxation revenues. It is increasingly important that BC Assessment provides client-driven products and services that benefit all its clients and the taxpayers of the province. BC Assessment is working with representatives of our client groups to address issues such as improving data quality, timeliness, enhancing access to data, and the corporation will continue to develop and promote the use of Assessment Link*BC* to local governments. One significant enhancement planned for Assessment Link*BC* will be the availability of non-market change (new construction and development) reports for local governments. These reports generate data which are critical in the local government budgeting process.

First Nations Issues

Many First Nations of British Columbia are assuming property taxation responsibilities traditionally provided by provincial and local governments. As property taxation becomes increasingly important, opportunities will be created for BC Assessment to strengthen and expand its relations with First Nations. Services that can be provided include consultation, assessment and related products. BC Assessment is currently contracted to provide assessment services for 55 First Nations.

INTERNAL BUSINESS ENVIRONMENT

While external events in British Columbia have a direct impact on the operations of BC Assessment, there are internal issues facing the corporation that need to be addressed and managed. The internal issues that will impact the operations of BC Assessment are described in the following sections.

Demographics and Succession Planning

Demographic studies indicate that by the year 2011, a large portion of British Columbia's workforce will be retiring. This is also true for the workforce at BC Assessment– over the next five years approximately 28 percent of staff will be eligible to retire. The projected number of possible retirements creates several important challenges and opportunities and highlights the need for the ongoing succession program. In addition to retirements, the growth of economic opportunities in British Columbia has also created a more competitive environment for job competitions, placing pressure on employers in the recruitment of new talent. BC Assessment is addressing succession challenges with a comprehensive recruitment and retention strategy and by ensuring that teams, rather than individuals, have responsibility for specialized property types which will help reduce the risk of staff turnover.

Technology

Technological change continues to impact the assessment field and is creating opportunities for greater efficiency as well as challenges in terms of capital costs and staff training.

In 2005, BC Assessment launched a new assessment information system called value*BC* which produced the 2006 Assessment Roll. The new system replaces outdated mainframe technology used since the early 1980s. The system's state-of-the-art database and search capabilities will enable staff to serve clients faster and more efficiently, with improved electronic linkages to other tools such as Geographic Information Systems (GIS) and databases (e.g., Land Title and Survey Authority of BC). With the goal to promote more interaction with customers, the system features services such as Assessment Link*BC*, a datamart for local governments to download and customize information specifically for their needs.

The Enterprise-wide Risk Management process used by the corporation identifies any ongoing risks to interruption of service due to value*BC*. The corporation is also improving its web site technologies and telecommunications to meet increasing public demand to obtain information through online channels such as the Internet or through toll-free telephone service. As part of the corporation's overall Information Systems Plan and Employee Training Plan, BC Assessment staff will continue to upgrade their skills using technology to support their work and improve customer service.

During 2007, a new Information Systems Plan will be created which will define a path for technology investments in BC Assessment for 2007 through 2010. Major components of the new plan will include increasing electronic access to assessment information by external clients and creating additional electronic links to other data sources of real property information (e.g., building permit and building plan information). New technology investments will leverage the technology investments made in the infrastructure of value*BC* implemented in 2005.

Staff Engagement

In today's workplace, employees expect meaningful work, positive leadership and growth in learning. BC Assessment continues to address these expectations through progressive human resources initiatives while maintaining a high and consistent level of service to our clients.

BC Assessment seeks opportunities to work in collaboration with staff, for example, by:

- Drawing on the expertise of regional staff to lead or provide input into corporate projects and other initiatives
- Maintaining regular dialogue with the bargaining unit through several joint union-management committees aimed at resolving a wide range of issues
- Surveying staff through an annual Continuous Improvement Measures (CIM) process to identify better ways to help achieve corporate objectives and to measure best practice results

Training and Staff Development

The changing expectations of our customers require staff training that is high in quality, provides mentoring and support, and is timely and effective. The training plan provides the direction for current and future training needs at BC Assessment and will promote leadership in staff development to fulfill its current and future training needs.

Managing Change

BC Assessment is addressing change, both internally and externally, through leadership in strategic direction as presented in this 2007-2009 Service Plan and includes objectives and strategies under the following four key goals: Customer Service, Product Quality and Uniformity, Fiscal Responsibility and Human Resources Leadership.

Major initiatives for these goals include: enhancing the value*BC* information system, implementing innovative and efficient valuation methodologies, streamlining regulations and cutting red tape, maintaining the Continuous Improvement Measures initiative, succession planning, creating educational programs, surveying customers, creating a Customer Service Commitment and Standards, and reviewing valuation policy.

Customer Relations

BC Assessment is committed to working closely with its wide range of customers – from homeowners to First Nations to the public and private sectors – to constantly improve on the quality of service it provides. Regular communications and two-way dialogue with both clients and property owners is an important part of BC Assessment's efforts to build on its reputation as a trusted source for high quality property assessment information.

The corporation will continue to proactively seek partnership prospects in order to maximize opportunities to provide our products and services. Staff regularly attend and sponsor provincial, national and international conferences and events that promote industry and government networking. BC Assessment will also be surveying its major customer groups, including residential and non-residential property owners, local governments and taxing authorities, provincial government partners and First Nations annually. The results of the surveys will be considered during the external communications strategic planning process.

Information Transparency

Our customers must have confidence in the products and services that we provide. Access to information is an important key to the relationship between BC Assessment and our clients, as well as an important operational issue between area offices and Head Office divisions. The corporation is committed to providing timely and quality information to our customers.

BC Assessment's online services are expanding to provide the public with 'anytime' access to our data products and services. Our new assessment information system, value*BC*, will drive much of the data for use by clients in the future. Specific audiences such as local governments will be able to access information through online systems such as Assessment Link*BC*. The general public has access to BC Assessment's web site 24 hours a day, and each year from early January to March 15, basic property assessment information is available on the web site. Assessment and Sales by Address enables homeowners to audit BC Assessment's work by comparing their property assessment to their neighbours and other similar properties.

BC Assessment also provides a variety of reports on its web site, including the current Service Plan and Annual Reports and the Answer Book – a handbook for local governments. The Shareholder's Letter of Expectations is published on the government web site so the public can view the strategic plans and agreements between Government, the Board of Directors and BC Assessment.

BC Assessment operates in compliance with the *Freedom of Information and Privacy Protection Act* to ensure high standards of information exchange and protection for our clients.

Uniform

Being consistent in the way we treat you

Benchmarking

BC Assessment benchmarks internal processes and practices against selected North American assessment jurisdictions. The results from this benchmarking process allow the corporation to continuously improve operating efficiency and control assessment costs, while providing local governments and the provincial government with the foundation required to raise $5 billion annually in property taxes.

BC Assessment has been working closely with a number of Canadian Assessment jurisdictions since 2002 to learn from each other's challenges and successes. We continue to exchange and review information on a confidential basis with our partners to assist us in implementing improvements within our organization. These include, but are not limited to, appraisal practice and policy development, quality measurement, audit techniques, key performance indicators, staff training and development opportunities, customer service and surveying, performance measurement, competencies for staff and our legislative framework.

BC Assessment cannot be directly compared to other assessment jurisdictions because each assessment organization is unique in its geography, roll production frequency, customer focus, marketing initiatives, funding formula and legislation. In light of these differences, it is only possible to make limited absolute direct comparisons. Despite these challenges, the corporation attends an annual national benchmarking conference to determine whether positive strategies undertaken in other assessment jurisdictions could be applied to its operations.

The International Association of Assessing Officers (IAAO) has set standards for data quality that form the basis of BC Assessment's critical assessment roll quality performance targets. The most important and widely accepted statistical measures of the quality of the assessment roll are the median Assessment-to-Sales Ratio (ASR), the Coefficient of Dispersion (COD) and the Price-Related Differential (PRD). BC Assessment regularly meets or exceeds these targets. Information on the achievement of these targets is available on pages 26 to 28, and in Appendix A.

Enterprise-wide Risk Management

BC Assessment has adopted the provincial government's Enterprise-wide Risk Management strategy. Through input from the Risk Management Branch and the Office of the Comptroller General Internal Audit and Advisory Services, BC Assessment started to implement Enterprise-wide Risk Management in 2003. This allows BC Assessment to have a structured and disciplined approach to risk management and allow the effective management of potential opportunities. This initiative aligns strategy, processes, people and technology to effectively manage the uncertainties faced by BC Assessment.

BC Assessment's customers are continually increasing their expectations for products, services and assessment roll quality. As a result, the corporation's executive and staff routinely identify risk in project-specific management plans. In order to be complete, our project management plans must identify risk, determine the degree of risk and develop methods to mitigate risk. Examples of where BC Assessment has proactively identified risks are outlined below.

RISK: Business Continuity

Strategy: A secure disaster recovery site is maintained and data can presently be restored to the previous business day. BC Assessment's Disaster Recovery Plan is to be tested and updated at least once a year with its primary purpose of ensuring that failures in the operation of value*BC* and related applications will not jeopardize service.

Risk: Data Integrity

Strategy: The Research and Audit Division regularly audits data to ensure it continues to meet and exceed international standards for quality.

Risk: Financial Accountability

Strategy: The corporation maintains appropriate internal controls. It will continue reporting regularly to the Audit & Finance Committee and the Board of Directors and quarterly to the Office of the Comptroller General. BC Assessment is subject to an annual external audit, currently performed by the Office of the Auditor General.

Risk: Staff Turnover

Strategy: The Human Resources Division has implemented a forecasting model to assist with planning for staff retirements from our mature workforce. In addition, a Recruitment and Retention Strategy is being developed for 2007 that will implement specific actions aimed at marketing BC Assessment to prospective employees as well as assisting in retaining current, qualified employees.

Risk: Public Reputation and Confidence

Strategy: The Communications Division will continue development of a Customer Service Excellence Program that includes a Service Commitment and Service Standards to help guide staff interactions with the public and maintain annual customer surveys and analysis of media coverage. The Program supports the existing Standards of Conduct which are intended to protect employees and BC Assessment from allegations of conflict of interest and to prevent circumstances that could damage the reputation of BC Assessment or its employees.

Risk: Executive Management Continuity

Strategy: The Executive Management Team developed guidelines to delegate authority in the absence of the Chief Executive Officer and/or Executive Directors to ensure BC Assessment's operations will be maintained with minimal disruption.

Capacity

BC Assessment produces Assessment Rolls each year by the December 31 deadline and will not exceed our budget. This is accomplished while facing the following capacity challenges:

- valuing approximately 32,077 more properties in 2006 compared to 2005 and recording all new construction and development;
- recruiting and managing a large temporary workforce to facilitate deployment of permanent staff to continue delivering excellent customer service;
- losing many of our most experienced staff through retirement;
- developing strategies to maintain staffing knowledge, skills and abilities through succession planning and more effective workforce management;
- increasing scrutiny of assessments as property taxes form a greater portion of owners' expenses;
- developing and implementing the new information system; and
- experiencing an active real estate market.

BC Assessment responds to these challenges through:

- leadership and strategic planning at the Board, Executive and local office levels;
- a rigorous project management approach;
- enterprise-wide risk management;
- effective and efficient allocation of resources;
- utilization of seasonal temporary employees;
- maintaining a professional, motivated and team-oriented workforce;
- partnerships with all levels of government, stakeholders and clients;
- innovative and efficient valuation methodologies; and
- advanced technical capabilities through the new value*BC* assessment information system.

Origins of Performance Indicators

STRATEGIC CONTEXT

VISION

We will be the leading property assessment organization internationally and the first choice for property information in British Columbia.

MISSION

We produce uniform property assessments that form the basis for local and provincial taxation while providing information to assist people when making real estate decisions.

VALUES

We are guided by our commitment to:

- **Quality** in our products, services, and work life;
- **Accountability** for our actions and results;
- **Service** that is responsive and sensitive; and
- **Teamwork** in working together as one team and partnering with our clients.

OUR SERVICE COMMITMENT TO YOU IS TO BE:

- Reliable
- Accessible
- Uniform
- Respectful

GOALS

GOAL 1: Customer Service: BC Assessment will provide a level of service that meets our customers' expectations.

GOAL 2: Product Quality and Uniformity: BC Assessment property assessment services throughout the province will of the highest quality and fair, equitable, and uniform.

GOAL 3: Fiscal Responsibility: BC Assessment will continue to seek new opportunities to improve operational efficiencies while meeting service delivery targets.

GOAL 4: Human Resources Leadership: BC Assessment will attract, develop and retain qualified and motivated staff.

STRATEGIES

Enhance the culture of customer service excellence.

Develop and implement a long-term customer service delivery model to anticipate and satisfy customer's needs.

Ensure all BC Assessment facilities and services are readily available to persons with disabilities.

Collaborate with the business and industrial community to develop a greater understanding of mutual issues.

Create a broader level of understanding and acceptance of the property assessment and taxation system with all stakeholders.

Ensure uniformity and quality in the assessment rolls through the common application of statutes, policies, business rules and best practices throughout the province.

Provide information and services to enable customers to verify whether assessments are accurate, fair and equitable.

Develop greater links and partnerships with local and provincial governments, First Nations and the private sector leading to more efficient and accurate valuation information.

Explore alternative methods to increase efficiency and add value in collecting, processing and sharing of information.

Develop and implement a long-term strategic human resources framework that fosters a climate where people are engaged in their work and addresses: people, learning and performance.

Ensure a high level of professional appraisal accreditation.

PERFORMANCE MEASURES

PM 1. Each year, 98 percent, or more, of residential assessments will be accepted without referral by the public to the Property Assessment Review Panel.

PM 2. Each year, 95 percent, or more, of non-residential assessments will be accepted without referral by the public to the Property Assessment Review Panel.

PM 3. Each year, the percentage of residential and non-residential property owners independently surveyed who had direct contact with the corporation who were either Very Satisfied or Satisfied with the level of customer service.

PM 4. Each year, the percentage of local government/taxing authority, First Nations and provincial government customers independently surveyed who had direct contact with the corporation who were either Very Satisfied or Satisfied with the level of customer service.

PM 5. The median Assessment-to-Sales Ratio for the:

- Residential assessment roll in British Columbia will be 97-100 percent and non-residential assessment roll in British Columbia will be 95-100 percent.
- Non-residential assessment roll in British Columbia will be 95-100 percent.

PM 6. The Coefficient of Dispersion for the provincial assessment roll will be:

- less than 10 percent for urban residential regions
- less than 15 percent for rural residential regions and less than 20 percent for non-residential regions
- less than 20 percent for non-residential properties

PM 7. The Price-Related-Differential will be between 0.98 and 1.03 for residential properties.

PM 8. The average cost per property for assessment services funded from property tax levies will be maintained.

PM 9. Percentage of appraisal staff with accreditation.

PM 10. Minimize staff turnover.

Reliable

Providing accurate products and professional service

Goals, Strategies, and Performance Measures

To fulfill our mandate and to reach our vision, BC Assessment has established four key goals: Customer Service, Product Quality and Uniformity, Fiscal Responsibility and Human Resources Leadership.

For each goal, BC Assessment has established strategies from 2007 through 2009. Over this time frame, BC Assessment will consider what is working, what is not, and where limited resources can be utilized in the most relevant and effective manner. This requires a focus on results. Performance Measures have therefore been established to track progress. These goals, strategies and performance measures are critical in supporting the goals and direction of the provincial government. A flowchart on the preceding page outlines the corporation's strategic context, goals, strategies and performance measures in a simple, graphic format.

BC Assessment uses the provincial government's strategic plan as the guiding document to develop this Service Plan that outlines our goals, strategies and performance measures/targets. As with the government, our goals were developed in the context of fiscal responsibility and maintaining the support for communities that provide services for health and education. Our strategic direction supports the provincial government in achieving its goals as set out in the British Columbia Government Strategic Plan Update 2006/07-2008/09.

In February 2005, new measures were outlined by the provincial government for goals pertaining to education, fitness, people at risk, the environment and job creation. In February 2006, in the Provincial Government Strategic Plan 2006/07 – 2008/09, these goals were reaffirmed and are presented as follows:

1. Make British Columbia the best-educated, most literate jurisdiction on the continent.
2. Lead the way in North America in healthy living and physical fitness.
3. Build the best system of support in Canada for persons with disabilities, special needs, children at risk, and seniors.
4. Lead the world in sustainable environmental management, with the best air and water quality and the best fisheries management, bar none.
5. Create more jobs per capita than anywhere else in Canada.

To support these goals, BC Assessment produces fair, equitable and uniform property assessment rolls that provide the basis for local governments and taxing authorities to raise billions of dollars for local programs and services. Tax revenues help provide services such as transportation, schools, health services, recreational facilities, police and fire protection, water, sewer systems and garbage disposal in communities across the province.

GOAL

1. CUSTOMER SERVICE

BC Assessment will provide a level of service that meets our customers' expectations.

STRATEGIES

BC Assessment will:

1a. Enhance the culture of customer service excellence.

1b. Develop and implement a long-term customer service delivery model to anticipate and satisfy customer's needs.

1c. Ensure all BC Assessment facilities and services are readily available to persons with disabilities.

1d. Collaborate with the business and industrial community to develop a greater understanding of mutual issues.

1e. Create a broader level of understanding and acceptance of the property assessment and taxation system with all stakeholders.

GOAL

1. CUSTOMER SERVICE

BC Assessment will provide a level of service that meets our customers' expectations.

GOAL 1: PERFORMANCE MEASURES – SUMMARY

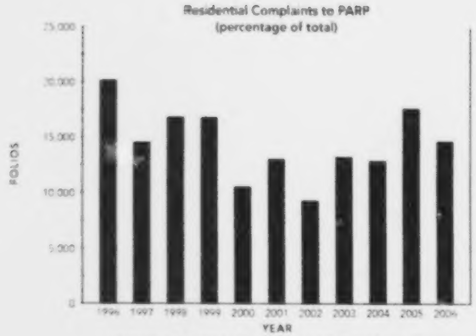
PM.1 BC Assessment (BCA) tracks annual statistics to determine how many residential and non-residential property owners apply in writing for an independent review of their assessment by a Property Assessment Review Panel (PARP). Historically, formal complaints have been low, usually less than 1% of all residential property owners. The Ministry of Small Business and Revenue is responsible for administering the independent PARP process each year between February 1 and March 15.

PM.2 Formal complaints to PARP are also tracked for non-residential property owners.

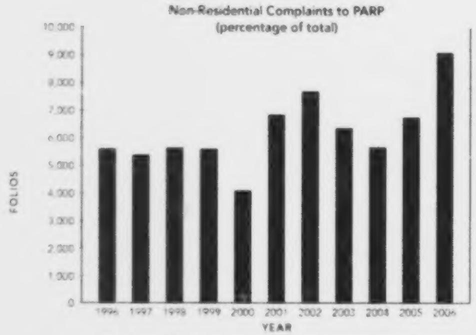
PM.3 Each year, BCA independently surveys residential and non-residential property owners, asking a variety of questions about products and services. This measure indicates the *overall* satisfaction with the quality of service for those surveyed who have had *direct* contact (e.g., phoned or visited an office; sample of 156 and 95 people respectively) with BCA. The percentage indicates those who were either Very Satisfied or Satisfied (based on a 4-point scale, with these categories reflecting the 4 and 3 scale responses).

PM.4 Each year, BCA independently surveys local government/taxing authority, First Nations, and provincial government customers, asking a variety of questions about products and services. (Provincial government customers were surveyed for the first time in 2006.) This measure indicates the *overall* satisfaction with the quality of service for those surveyed who have had *direct* contact (sample of 187 local government/taxing authority, 39 First Nations and 32 provincial government clients) with BC Assessment. The percentage indicates those who were either Very Satisfied or Satisfied (based on a 4-point scale with these categories reflecting the 4 and 3 scale responses).

	PERFORMANCE MEASURES	TARGETS			
		2006 Actual	2007	2008	2009
PM.1	Each year, 98 percent, or more, of residential assessments will be accepted without referral by the public to the Property Assessment Review Panel.	99.1%	≥98%	≥98%	≥98%
PM.2	Each year, 95 percent, or more, of non-residential assessments will be accepted without referral by the public to the Property Assessment Review Panel.	91.8%	≥95%	≥95%	≥95%
PM.3	Each year, the percentage of residential and non-residential property owners independently surveyed who had direct contact with the corporation, and were either Very Satisfied or Satisfied with the level of customer service.	86%	>86%	>87%	>88%
PM.4	Each year, the percentage of local government/taxing authority, First Nations and provincial government customers independently surveyed who had direct contact with the corporation, and were either Very Satisfied or Satisfied with the level of customer service.	95%	>95%	>95%	>95%


Residential Complaints to PARP (percentage of total)

Data Source: BCA Standards and Audit Group and Information Services Division, 2007 Rolls and Notices Audit and APFSTAT reports


Non-Residential Complaints to PARP (percentage of total)

Data Source: BCA Standards and Audit Group and Information Services Division, 2007 Rolls and Notices Audit and APFSTAT reports

GOAL

2. PRODUCT QUALITY AND UNIFORMITY

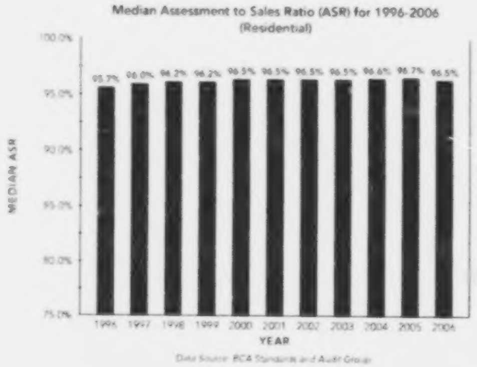
BC Assessment property assessment services throughout the province will be of the highest quality and fair, equitable and uniform.

STRATEGIES

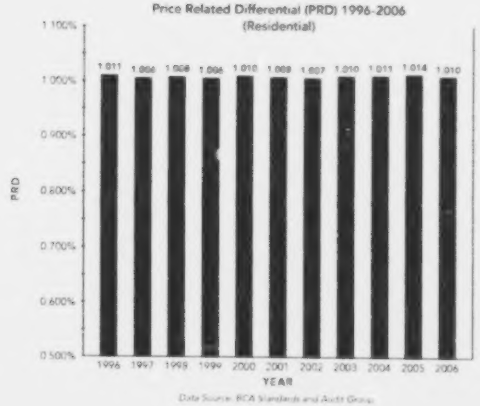
BC Assessment will:

2a. Ensure uniformity and quality in the assessment rolls through the common application of statutes, policies, business rules and best practices throughout the province.

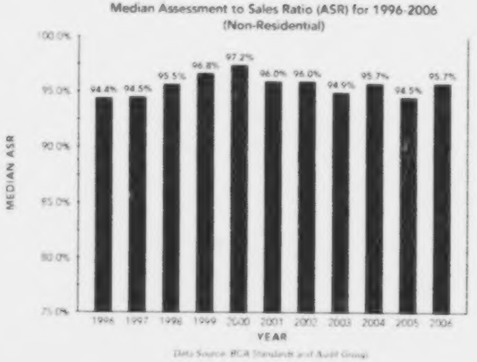
2b. Provide information and services to enable customers to verify whether assessments are accurate, fair and equitable.


Median Assessment to Sales Ratio (ASR) for 1996-2006
(Residential)

Data Source: BCA Standards and Audit Group


Price Related Differential (PRD) 1996-2006
(Residential)

Data Source: BCA Standards and Audit Group


Median Assessment to Sales Ratio (ASR) for 1996-2006
(Non-Residential)

Data Source: BCA Standards and Audit Group

GOAL

2. PRODUCT QUALITY AND UNIFORMITY

BC Assessment property assessment services throughout the province will be of the highest quality and fair, equitable and uniform.

GOAL 2: PERFORMANCE MEASURES – SUMMARY

The quality of Assessment Rolls can be measured through statistical audits.

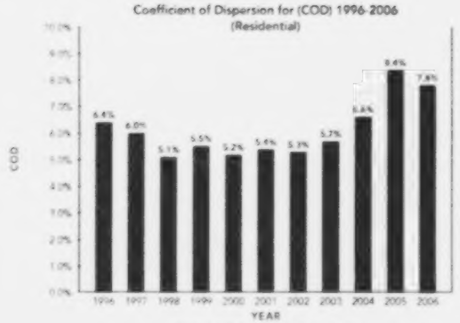
PM.5 BC Assessment (BCA) measures the Assessment-to-Sales Ratio (ASR) for residential and non-residential properties, according to internationally-recognized standards. The ASR is calculated by dividing the actual value (as determined by BCA) of a property that has sold, by its selling price, and expressing the result as a percentage. For example, if a property is assessed with a value of $243,000, and it sold for $250,000, the ASR would be 97.2%. In short, the ASR measures how accurately BCAA appraises property at market value. The IAAO has set a standard for a median ASR of 90 percent to 110 percent for an acceptable level of assessment achievement. BCA's target of 97 to 100 percent for residential properties and 95 to 100 percent for non-residential properties exceeds this standard.

PM.6 BCA also measures the Coefficient of Dispersion (COD) for residential and non-residential properties located in both urban and rural areas, according to internationally-recognized standards. The COD measures the quality of BCA's data by virtue of the spread of all the ASRs around its median, or middle number. The lower the COD, the better quality the product. This is a measure of appraisal uniformity. The COD standard set by the IAAO for single family residential properties is under 15 percent for homogeneous (urban) regions and under 20 percent for heterogeneous (rural) regions. BCA has set targets of under 10 percent and under 15 percent respectively for residential properties and under 20 percent for non-residential properties.

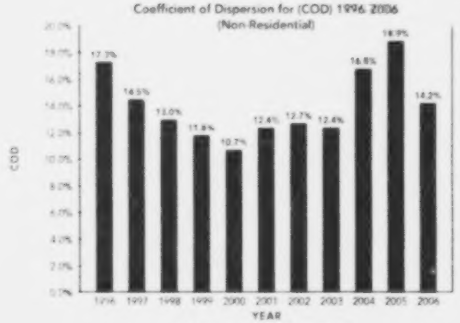
PM.7 BCA measures the Price-Related-Differential (PRD) for residential properties, according to internationally-recognized standards, to determine if assessments are 'progressive' or 'regressive'. Assessments are considered regressive if high-value properties are under-appraised relative to low-value properties. They are considered progressive if high-value properties are over-appraised relative to low-value properties. Significant progressivity or regressivity results in the inequitable distribution of the tax burden, and a good quality assessment should show no sign of either. In short, the PRD measures both the fairness and equity of the assessment rolls by comparing the level of assessment of high-valued property against low-valued property. The IAAO standard for the PRD is between 0.98 and 1.03. A PRD under 0.98 indicates progressivity; over 1.03 indicates regressivity. BC Assessment has adopted the IAAO standard for the PRD.

Residential properties include mainly single and multi-family dwellings and residential strata properties. Non-residential properties include mainly industrial, commercial and investment properties and excludes those valued by regulation and tax-exempt properties.

PERFORMANCE MEASURES		TARGETS			
		2007 Assessment Roll	2008 Assessment Roll	2009 Assessment Roll	2010 Assessment Roll
PM.5	The median *Assessment-to-Sales Ratio* for the:				
	• residential assessment roll in British Columbia will be 97 to 100 percent.	96.5%	97%-100%	97%-100%	97%-100%
	• non-residential assessment roll in British Columbia will be 95 to 100 percent.	95.7%	95%-100%	95%-100%	95%-100%
PM.6	The *Coefficient of Dispersion* for the provincial assessment roll will be:				
	• less than 10 percent for urban residential regions	7.4%	<10%	<10%	<10%
	• less than 15 percent for rural residential regions	10.9%	<15%	<15%	<15%
	• less than 20 percent for non-residential properties	14.2%	<20%	<20%	<20%
PM.7	The *Price-Related Differential* will be between 0.98 and 1.03 for residential properties.	1.01	0.98-1.03	0.98-1.03	0.98-1.03



Data Source: BCA Standards and Audit Group



Data Source: BCA Standards and Audit Group

GOAL

3. FISCAL RESPONSIBILITY

BC Assessment will continue to seek new opportunities to improve operational efficiencies while meeting service delivery targets.

STRATEGIES

BC Assessment will:

3a. Develop greater links and partnerships with local and provincial governments, First Nations and the private sector leading to more efficient and more accurate valuation information.

3b. Explore alternative methods to increase efficiency and add value in collecting, processing and sharing of information.

GOAL 3: PERFORMANCE MEASURES – SUMMARY

PM.8 BC Assessment determines the average cost to the taxpayer to service an individual property by dividing total recurring operating expenses less revenue from non-tax levy sources divided by total folios. This performance measure reflects the corporation's commitment to keep assessment services costs to the taxpayer as low as possible despite meeting increased service demands in a progressively complex assessment environment. BC Assessment's objective is to ensure that the average cost per taxpayer will not increase.

PERFORMANCE MEASURES		TARGETS			
		2006 Target	2007	2008	2009
PM.8	The average cost per property for assessment services funded from property tax levies will be maintained.	$36.00	$37.00	$37.00	$37.00

GOAL

4. HUMAN RESOURCES LEADERSHIP

BC Assessment will attract, develop and retain qualified and motivated staff.

STRATEGIES

BC Assessment will:

4a. Develop and implement a long-term strategic human resources framework that fosters a climate where people are engaged in their work and addresses:

- People
- Learning
- Performance

4b. Ensure a high level of professional appraisal accreditation.

GOAL 4: PERFORMANCE MEASURES – SUMMARY

PM.9 Appraisal staff with BCA have an opportunity to obtain professional accreditation to help them perform their work, and to seek promotions within the corporation. This measure highlights BCA's commitment to support and invest in the development of its appraisal staff through professional accreditation. The previous target of 74% has been reduced to reflect a higher incidence of retiring accredited employees necessitating the recruitment of employees who will require three to five years to achieve accreditation.

PM.10 Historically, BC Assessment has experienced a low rate of staff turnover compared to similar organizations but is facing increasing challenges to recruit staff in a competitive job environment. In 2006, BCA staff turnover rate was 11%, more than double the historic average. We will minimize turnover by continuing to offer employees a challenging work environment, opportunities for advancement, competitive wages and a comprehensive benefits package.

PERFORMANCE MEASURES		TARGETS			
		2006 Actual	2007	2008	2009
PM.9	Percentage of appraisal staff with professional accreditation.	63%	71%	71%	71%
PM.10	Minimize staff turnover.	11%	8%	8%	8%

Alignment with Government's Strategic Plan

BC Assessment used the British Columbia Government Strategic Plan 2006/07-2008/09 as the guiding document to develop this Service Plan that outlines our goals, strategies and performance measures/targets. As with the government, our goals and objectives were developed in the context of fiscal responsibility and maintaining the support for communities that provide services for health and education. In addition, government provides strategic direction to BC Assessment through the Shareholder's Letter of Expectations (SLE) which is available on the Internet at www.bcassessment.ca.

BC Assessment has established four key goals: Customer Service, Product Quality and Uniformity, Fiscal Responsibility and Human Resources Leadership.

Our strategic direction supports the provincial government in achieving its goals as set out in the British Columbia Government Strategic Plan 2006/07-2008/09. Specifically, BC Assessment supports the provincial government's goals in the following ways.

GOAL 1 - A Strong And Vibrant Provincial Economy

The market value property assessment process is very stable and provides the public with accurate assessment information. BC Assessment also provides its property information products and services to local governments, First Nations, banks, credit unions, law offices and other organizations to use in their daily business. BC Assessment's information is also used to assist in the administration of the Home Owner Grant and the Tax Deferment Programs.

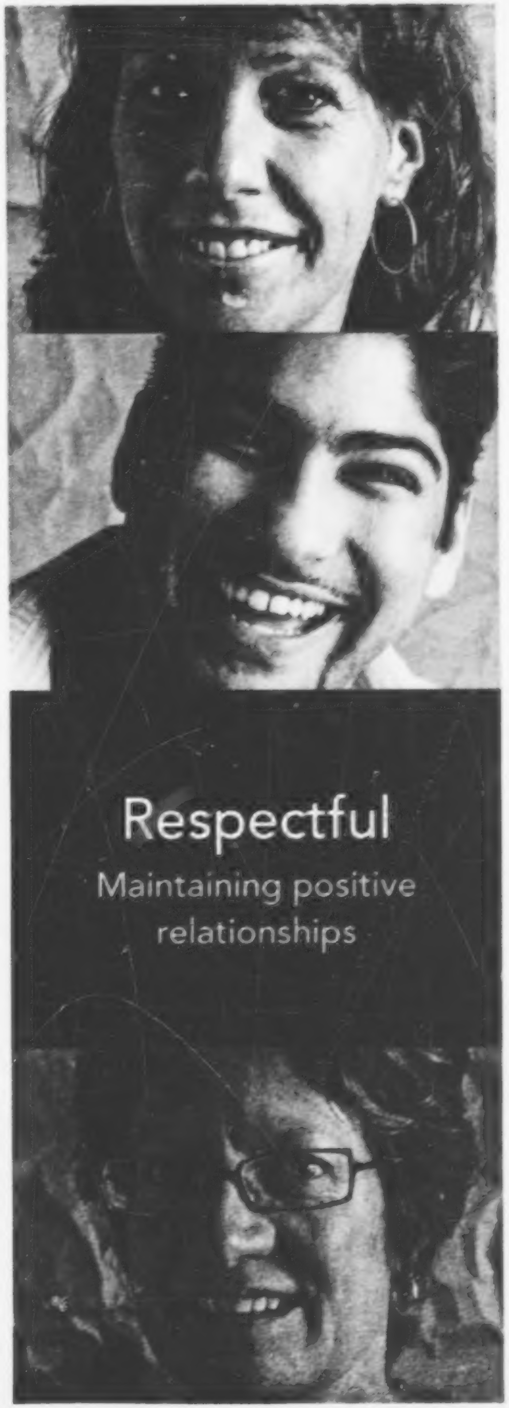
BC Assessment also practices fiscal responsibility and is working to improve its financial position by focusing on innovation, being cost-effective and delivering services efficiently. In partnership with the provincial government, we are recommending changes to streamline the property assessment appeal system as well as other changes to assessment legislation to make it more easily understood.

The corporation's goals of Customer Service, Product Quality and Uniformity, Fiscal Responsibility and Human Resources Leadership each contribute to building a strong economic foundation for British Columbia.

GOAL 2 - A Supportive Social Fabric

BC Assessment produces fair, equitable and uniform property assessments that provide the basis upon which local governments and other authorities raised approximately $5 billion last year to support a multitude of public services. Of this money, $2.7 billion is collected for local governments, and $2.3 billion is collected for schools, hospitals, and provincial government revenue. The corporation also provides assessment services on a contract basis to 55 First Nations communities in British Columbia.

The corporation's goals to develop skilled staff through Human Resources Leadership and strong Customer Service combine to provide greater social security in communities across the province.



Respectful

Maintaining positive relationships

GOAL 3 - Safe, Healthy Communities and A Sustainable Environment

BC Assessment's products and services provide the basis for billions of dollars worth of stable tax funding to support local programs and services to help communities thrive.

By developing the skills, knowledge, and wellness of BC Assessment's employees, and by providing a safe, healthy, and harassment-free workplace, BC Assessment's goals of Human Resources Leadership and Customer Service promote safe and healthy communities in BC.

BC Assessment's work culture promotes caring for others and staff demonstrate this through their participation in various charitable and social causes throughout the province, and is committed to protecting the environment by using energy and materials wisely to conserve natural resources.

BC Assessment produces fair, equitable and uniform property assessment rolls that provide the basis for local governments and taxing authorities to raise billions of dollars worth of stable tax funding for local programs and services. On an annual basis, approximately $2.3 billion is raised for schools and $2.5 billion for local governments to indirectly support education, literacy, healthy living and physical fitness. Local governments, First Nations, banks, credit unions, law offices and other organizations use BC Assessment's products and services in their daily business. The corporation's data products and services, coupled with a stable market value property assessment process, supports job creation by contributing to a strong economy.

Summary Financial Outlook

Forecast Risks and Sensitivities

BC Assessment's main priorities for the planning period 2007-2009 are producing the assessment roll, continually improving customer service, streamlining and simplifying legislation and cutting red tape.

Key Assumptions

- BC Assessment has a December 31 fiscal year end.
- The corporation borrows funds to finance operations and capital expenses during the first half of each fiscal year and repays debt from the proceeds of taxes at the end of July.
- Total tax levies forecast for the years 2007-2009 increase annually, mainly due to new construction.
- In March 2005, BC Assessment signed a contract with the Greater Vancouver Transportation Authority for preparation of a parking site roll for TransLink. Revenues and costs associated with production of the first roll impact the financial summaries for 2005 and part of 2006. Revenues and costs associated with annual production and support of the roll have for subsequent years have been included for the balance of the planning period.
- Salaries and benefits are forecast to support a multi-year staffing strategy which addresses both succession needs and other risk areas to the organization and BC Assessment's customers.
- Professional and special services are higher than normal in 2005 due to significant training costs in support of value*BC* implementation, and continuation of service bureau costs for the old (CAPAS) assessment system while the organization moved to the new (value*BC*) assessment system.
- BC Assessment is required by legislation to cover the cost of the Property Assessment Review Panel (PARP) and the Property Assessment Appeal Board (PAAB).

Summary Financial Outlook

The following table gives the high-level 2005 financial revenue and expenditure and forecast for 2006-2009, as well as key forecast assumptions and risks.

Statement of Revenue and Expenditure

(in $000's)	2005 ACTUAL	2006 FORECAST	2007 FORECAST	2008 FORECAST	2009 FORECAST
REVENUE:					
Tax levies, payments in lieu of taxes and First Nations revenue	63,731	65,159	66,925	69,643	72,209
Data access services	3,453	3,520	3,800	4,000	4,175
Contract revenue[1]	3,863	2,140	950	969	988
Other revenue	67	20	17	20	20
Interest	404	700	700	650	700
Grant from the Province of BC[2]	–	2,369	–	–	–
	71,518	73,908	72,392	75,282	78,092
EXPENDITURE:					
Salaries and benefits[2]	46,414	48,560	47,671	49,484	51,395
Professional and special services[3]	8,940	7,283	7,483	7,659	7,833
Office premises	4,537	4,707	4,779	4,688	5,185
Office	4,200	4,259	4,868	4,965	5,064
Travel	1,587	1,708	1,897	1,978	2,038
Appeal costs	1,885	2,187	2,217	2,247	2,277
Bad debts	32	–	–	–	–
Interest	87	115	115	115	115
Amortization	3,000	3,071	3,362	4,146	4,185
	70,682	71,890	72,392	75,282	78,092
Excess of revenue over expenditure	836	2,018	–	–	–

Capital Expenditures

(in $000's)	2005 ACTUAL	2006 FORECAST	2007 FORECAST	2008 FORECAST	2009 FORECAST
	4,848	2,597	2,876	6,085	1,300

Staffing

Number of full time equivalent (FTE) staff	2005 ACTUAL	2006 FORECAST	2007 FORECAST	2008 FORECAST	2009 FORECAST
Number of Full Time Equivalent (FTE)	681	673	671	681	681

[1] In March 2005, BC Assessment signed a contract with the Greater Vancouver Transportation Authority for preparation of a parking site roll for TransLink. Revenues and costs associated with the initial contract to produce the first roll are included in the 2005 and 2006 financial summaries. Estimated revenues and costs for updating the roll have been included for the remainder of the planning period.

[2] Salaries and benefits for 2006 include an incentive payment to employees funded by a grant from the Provincial Government totaling $2.4 million.

[3] Professional and special services in 2005 included significant non-recurring costs in support of the new assessment system implementation (value*BC*) , the most significant of which were staff training and the continuation of service bureau costs for the old assessment system (CAPAS) during the transition period from CAPAS to value*BC*.

Appendices

APPENDIX A:

2007 COMPLETED ASSESSMENT ROLL RESULTS

Residential Property

The following table summarizes the provincial results for single family residential properties. These properties represent 57.1 percent of the parcels in BC and 53.0 percent of the market derived value on the Assessment Roll.

The median ASRs in all categories are well within acceptable levels, being only slightly below BC Assessment target of 97-100 percent. The CODs are extremely good, well under BC Assessment target of below 10 percent for homogeneous (urban) areas and below 15 percent for heterogeneous (rural) areas. All the PRDs also fall within the target range of 0.98 to 1.03.

For the province, from April 1 until September 30, 2006, 95.6 percent of sales value was captured on the Assessment Roll ($14.483 billion actual value/$15.156 billion sales prices).

Roll Quality – 2007 Completed Roll
SINGLE FAMILY RESIDENTIAL PROPERTY (April-Sep)

JURISDICTION TYPE	SALES	MEDIAN ASR	COD[2]	PRD
All Jurisdictions	35,289	96.5%	7.8%	1.010
City	20,968	96.6%	7.4%	1.008
District	8,613	96.6%	7.2%	1.013
Town	1,261	96.4%	7.8%	1.008
Village	671	96.6%	10.0%	1.011
Rural	3,776	95.5%	10.9%	1.023

VERTICAL ANALYSIS

CATEGORY	SALES	MEDIAN ASR[1]	COD[2]	PRD[3]
High End Housing (Manual Classes: 070s, and 160s and above)	967	95.8%	7.3%	1.008
Mid Range Housing (Manual Classes: 140s and 150s)	21,552	96.6%	6.8%	1.009
Low End Housing (Manual Classes: 030 to 060s and 080 to 090s)	10,394	96.4%	9.4%	1.011

[1] The ASR is calculated by dividing the actual value (as determined by the British Columbia Assessment Authority) of a property that has sold by its selling price, and expressing the result as a percentage. For example, if the British Columbia Assessment Authority assesed a property with a value of $243,000, and it sold for $250,000, the ASR would be 97.2 percent.

[2] The COD measures how closely a group of numbers is clustered around its median, or middle number. The lower the COD, the better quality the product.

[3] The PRD measures the progressivity or regressivity of assessments. Assessments are said to be regressive if high-value properties are under-appraised relative to low-value properties, and progressive if high-value properties are over-appraised relative to low-value properties. Significant progressivity or regressivity results in inequitable distribution of the tax burden. A good quality assessment roll should show no sign of regressivity or progressivity.

Appendices

Non-Residential Property

The following table summarizes the provincial results for sales of multi-family, strata rental, stores, office buildings and other commercial properties. The median ASRs and CODs are all in acceptable ranges for this broad stratification of non-residential properties.

Roll Quality – 2007 Completed Roll
NON-RESIDENTIAL PROPERTY (Jan-Oct)

CATEGORY	SALES	MEDIAN ASR	COD	PRD
Multi-Family	469	95.4%	10.7%	1.011
Strata Rental	509	98.7%	9.8%	0.978
Commercial Stores	576	93.7%	14.2%	1.025
Office Building	149	95.0%	11.4%	1.064
Conversions	139	99.2%	9.3%	1.028
Other Commercial	768	93.7%	20.6%	1.083

The ASR is calculated by dividing the actual value (as determined by the British Columbia Assessment Authority) of a property that has sold by its selling price, and expressing the result as a percentage. For example, if the British Columbia Assessment Authority assessed a property with a value of $243,000, and it sold for $250,000, the ASR would be 97.2 percent.

The COD measures how closely a group of numbers is clustered around its median, or middle number. The lower the COD, the better quality the product.

The PRD measures the progressivity or regressivity of assessments. Assessments are said to be regressive if high-value properties are under appraised relative to low-value properties, and progressive if high-value properties are over appraised relative to low-value properties. Significant progressivity or regressivity results in inequitable distribution of the tax burden. A good quality assessment roll should show no sign of regressivity or progressivity.

Appendices

APPENDIX B:

CUSTOMER SURVEYS

BC Assessment independently surveys customer groups on a regular basis to gauge how they perceive the corporation's mandate, products and resulting customer service. Corporation staff are involved in developing the survey questions and an independent market research company conducts the polling by telephone. BC Assessment has conducted large-scale surveys with residential property owners in 1991, 1993, 1998, 2004-2006. A standing committee reviews the survey results each year, and determines where improvements to customer service can be made.

The residential property owners customer surveys, conducted in 2004-2006 surveyed individuals across the province representing three groups: a) those having no contact with BC Assessment within the previous year (other than to receive an assessment notice); b) those who had appealed their assessment within the previous two years; and, c) those who had received a property inspection within the previous two years. The results validated that these customers have a high level of satisfaction with the quality of service they received from BC Assessment. Public perception of BC Assessment was considered strong, and homeowners believed the assessment method to estimate their property's value was fair.

In 2005 and 2006, BC Assessment also conducted surveys with four additional key customer groups – non-residential, First Nations, provincial government and local government/taxing authorities – using a similar methodology as the residential property owners customer survey.

BC Assessment plans to conduct similar independent surveys on an annual basis in 2007-2009 to use as a performance benchmark measure to improve customer service.

Glossary of Terms

Assessment

An assessment is the determination of a property's market value as of July 1 each year. On December 31, BC Assessment mails a Property Assessment Notice to each property owner. The Property Assessment Notice shows the property's market value and contains other important information about the property.

Assessment-to-Sales Ratio

The Assessment-to-Sales Ratio (ASR) is calculated by dividing the assessed value as determined by BC Assessment) of a property that has sold by its actual selling price, then expressing the result as a percentage. A property with an assessed value of $243,000 that sold for $250,000, for example, would have an ASR of 97.2 percent.

Coefficient of Dispersion

The Coefficient of Dispersion (COD) measures how closely a group of numbers is clustered around its median, or middle, number. The lower the COD, the better the product.

Completed Roll

The Completed Roll is produced by BC Assessment and approved by the Assessment Commissioner in December of each year for taxation the following year.

Market Value

Market value is the price expected if a reasonable amount of time is allowed to find a purchaser and if both seller and prospective buyer are fully informed. For assessment purposes in British Columbia, market value is the most probable price that an unencumbered property would sell for on the open market on July 1.

Price-Related Differential

The Price-Related Differential (PRD) measures the progressivity or regressivity of assessments. Assessments are said to be regressive if high-value properties are under-assessed relative to low-value properties. Assessments are progressive if high-value properties are over-assessed. Progressivity or regressivity result in an inequitable distribution of the tax burden.

Property Assessment Review Panel

The Property Assessment Review Panel is a three-member panel appointed annually by the provincial government to review property assessments. The panel ensures that the review is fair and impartial. The panel hears evidence to determine if a property has been valued or classified correctly, or if exemptions were properly applied. Neither the Property Assessment Review Panel nor BC Assessment has jurisdiction or control over taxes or tax rates. Only property assessments may be reviewed. Property taxes cannot be reviewed. Property Assessment Review Panels are independent of BC Assessment and the taxing jurisdictions.

Revised Roll

The Revised Roll includes amendments made by the Assessor and the Property Assessment Review Panels during February and March of each year.

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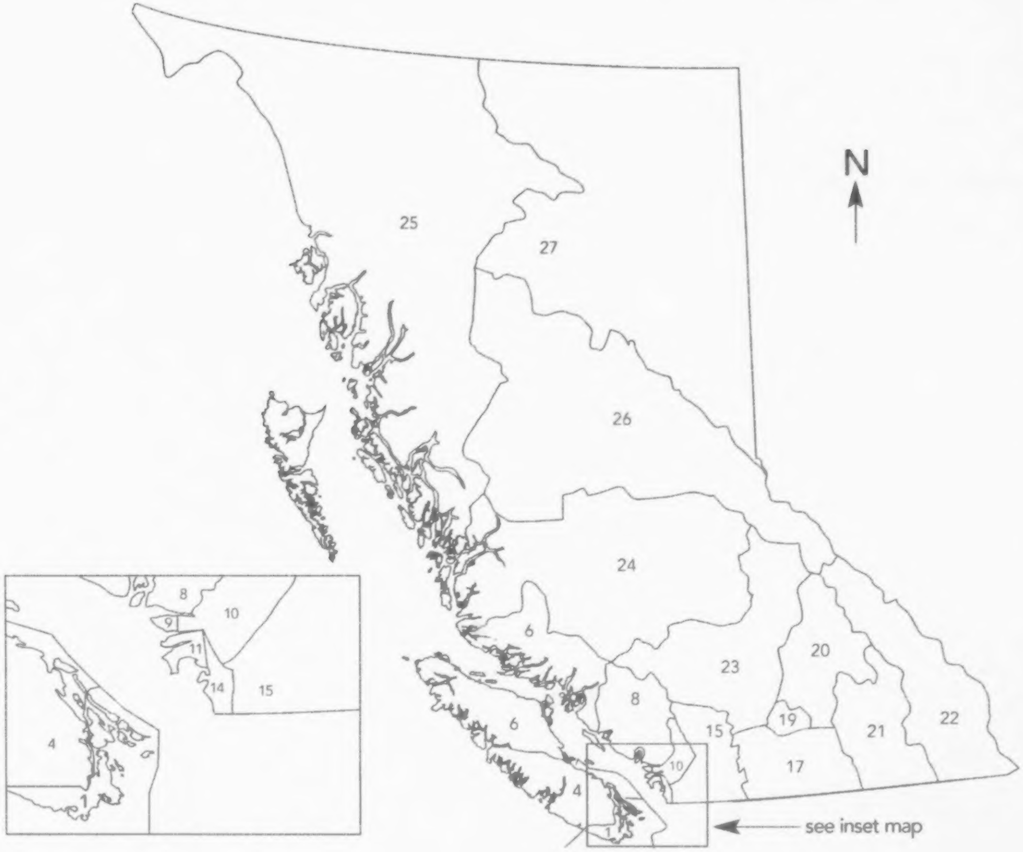
Assessment Areas Map



see inset map

REGION	ASSESSMENT AREAS
Capital	01 - Capital
Vancouver Island	04 - Central Vancouver Island 06 - Courtenay
Vancouver Sea-to-Sky	08 - North Shore/Squamish 09 - Vancouver
North Fraser	10 - North Fraser
South Fraser	11 - Richmond/Delta 14 - Surrey/White Rock
Fraser Valley	15 - Fraser Valley
Okanagan	17 - Penticton 19 - Kelowna 20 - Vernon
Kootenays	21 - Nelson/Trail 22 - East Kootenay
Thompson/Cariboo	23 - Kamloops 24 - Cariboo
The North	25 - Northwest 26 - Prince George 27 - Peace River

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BC Games Society
2007/08 – 2009/10 Service Plan

BC GAMES

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Message From the Co-Chairs

Looking Beyond Today

The BC Winter and BC Summer Games have developed over their long history as a leader in multi-sport event management, while contributing significantly to the growth and development of communities across British Columbia. In delivering forty eight BC Winter and BC Summer Games since 1978, conservative figures would indicate the Games have recruited and trained 173,500 volunteers, provided a positive sport experience to over 145,800 athletes, coaches, and officials, triggered $102 million in economic benefit and left in excess of $11.5 million in new sport and recreation opportunities through the community legacy process.[1]

These successes led to the creation of the BC Family of Games in 1994, whereby the event management expertise of the BC Games Society was to be shared with the long-standing Northern BC Winter Games, the BC Disability Games, and the then relatively new BC Seniors Games. In assuming event management responsibilities for these three Games, the BC Games Society did so with existing resources and limited staff increases. Effective and efficient ways to deliver services to the Host Community volunteers became a constant business practice within our society.

As we enter into our next planning cycle, the sustainability of the BC Games Society poses significant challenges. With challenge comes opportunity and the Board and staff of the BC Games Society are providing leadership to the BC Family of Games to review expectations, to discuss frequency, and to build a model that is sustainable beyond the horizon of 2010.

Revenue generation outside of Government's investment continues to be a priority as we maintain and build our relationships with corporate supporters, and look to other sources of self-generated income. Current partners Global BC, Air Canada Jazz, the BC Lottery Corporation and TELUS provide significant resources that reduce budgeted costs and provide additional revenues. The BC Games Society is confident these relationships will continue as we look to renew with two of them, while signing a fifth partner soon. Athlete fees and the sale of intellectual properties also support our strides toward a balanced budget.

Despite the fiscal challenges we face long-term, immediate plans and performances continue to be our focus. During this Service Plan cycle, the BC Games Society Board and staff will be responsible for the overall management of eleven BC Games involving over 15,800 volunteers, 20,000 participants, and generating approximately $9.3 million in spending in those communities. Our work with these cities and their dedicated volunteers will benefit from leading edge online resources, a highly motivated staff of nine, and a policy Board of sport, community, and business leaders dedicated to keeping the BC Games Society among the sport leaders provincially and nationally.

This 2007 / 2008 - 2009 / 2010 Service Plan was prepared under our direction in accordance with the *Budget Transparency and Accountability Act*. We are accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with Government's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions, and identified risks, as of January 30, 2007, have been considered in preparing this plan. We are accountable for ensuring the BC Games Society achieves its specific objectives identified herein and for measuring and reporting actual performance. The performance targets in this plan have been determined based on an assessment of the BC Games Society's operating environment, forecast conditions, risk assessment, and past performance.

Respectfully submitted,

Tony Fiala

Tony Fiala, Co-Chair
BC Games Society

W. Ladner-Beaudry

Wendy Ladner-Beaudry, Co-Chair
BC Games Society

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[1] figures based on measured figures and averages since 1978

Overview

The purpose of the BC Games Society is to provide an opportunity for the development of athletes, coaches, and officials in preparation for higher levels of competition in a multi-sport event that promotes interest and participation in sport and sporting activities, individual achievement, and community development.

Established in 1977 by the Provincial Government under the *Societies Act*, the former BC Summer and Winter Games Society's purpose was to provide an opportunity for all British Columbians to compete in an organized sports festival that promoted physical fitness, individual achievement, and community pride.

As an evolving entity, the society moved its focus from participation to athlete and sport development at the request of the province's Sport Minister in 1994.

The BC Games Society has been staging the BC Winter and BC Summer Games since our inception. The BC Games Society provides opportunities at BC Summer and BC Winter Games for the development of athletes, coaches, and officials in preparation for higher levels of competition in a multi-sport event that promotes interest and participation in sport, individual achievement, and community development.

In 1994, our scope was broadened with the addition of the Northern BC Winter Games, the BC Disability Games, and the BC Seniors Games. To these three Partner Games, we provide event management, and volunteer and financial resources.

The BC Games Society operations are located at 200 – 990 Fort Street, Victoria, BC.

Mandate

The BC Games Society was established in 1977 by the Provincial Government to promote community and sport development across BC.

Governance

The BC Games Society is responsible to the Minister of Tourism, Sport, and the Arts through the Board of Directors. A fifteen-member community-based Board of Directors appointed by Ministerial letter is responsible for providing direction through the policies and corporate goals. The Board of Directors appoints a President and Chief Executive Officer to manage the implementation of the policies and goals. The Directors' activities and responsibilities are governed by British Columbia's Guidelines for Conduct of Government Appointees to BC Agencies, Boards and Commissions. Included in those guiding principles are:

- Accountability and Performance
- Openness, Trust and Transparency
- Stewardship, Leadership and Effectiveness
- Clarity of Roles and Responsibilities
- Service and Corporate Citizenship
- Value, Innovation and Improvement

See www.bcgames.org/facts_and_figures_board_governance.html for more details.

Board members include:

- Tony Fiala, Co-Chair, Williams Lake, Finance Committee
- Wendy Ladner-Beaudry, Co-Chair, Vancouver
- Gary Young, North Vancouver, Chair, Marketing and Communications Committee
- Rod Cox, Terrace, Chair, Finance Committee
- Marni Abbott, Vancouver, Sport Committee
- Bruce Johnson, Penticton, Finance Committee
- Bob Irwin, Northern BC Winter Games Society Representative, Kitimat, Sport Committee
- Linda Palm, BC Disability Sports Representative, Sport Committee, Chilliwack[2]
- Anoop Sharma, BC Disability Sports Representative[3]
- Scott Braley, 2010 Legacies Now Representative, Vancouver
- George Kawaguchi, Burnaby, Sport Committee[4]
- Dorothy Paul, Victoria[5]
- Frank Lento, Fernie, Chair, Sport Committee
- Elsa McIntee, BC Seniors Games Society Representative, Richmond[6]
- June Parsons, BC Seniors Games Society Representative[7]
- Sharon White, Provincial Government, Victoria, Finance and Marketing and Communications Committees
- Jennifer Williams, Duncan
- Kimberly Gilhooly, Vernon, Marketing and Communications and Sport Committees

Past Co-Chairs

- Joan Hess, West Vancouver
- John Furlong, Richmond

Marion Lay, Vancouver
Ron Austen, Duncan

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[2] resigned May 2006
[3] term began October 2006
[4] term expired January 2007
[5] term began January 2007
[6] term expired July 2006
[7] term began October 2006

Planning Context and Risks

As an agency within the Provincial sport system, we are closely associated with three principal groups:

Provincial Sport Organizations – these agencies, through a Memorandum of Understanding with the BC Games Society, provide technical expertise on their sport, recruit and train coaches and officials and provide recruitment, development and qualifying opportunities for their athletes.

Partner Boards of the BC Family of Games include the Northern BC Winter Games Society, BC Disability Sports, and the BC Seniors Games Society. Each are volunteer driven, and are responsible for the policies and procedures of their respective BC Games. Through an Agreement for Financial Assistance, the BC Games Society provides financial and event support to their Host Communities. BC Games Society also manages their insurance needs and provides policy direction[8].

Host Communities are cities within the province that have been successful in their request to host any one of the five BC Games. Their municipal support is critical to the successful hosting of the BC Games.

This table identifies the key risks and plans for mitigation as determined by the Board of Directors of the BC Games, recognizing our three partners in the overall delivery of BC Games.

Risks	Plans for Mitigation
The BC Games Society relies on the third party recruitment and development of athletes by Provincial Sport Organizations who attend the BC Summer and BC Winter Games. This recruitment, and the training of coaches and officials is the responsibility of the respective Provincial Sport Organizations.	Through consistent dialogue and written agreements with each of the sports, we work to ensure the policies and practices associated with Games participation are carried out, both by the sport and by BC Games staff and volunteers.
Responsibility for the policies and procedures of the Northern BC Winter Games, the BC Disability Games and the BC Seniors Games lies with their respective Boards. BC Games Society is responsible for the technical delivery of these Games but holds no authority on their make up.	The BC Games Society holds positions for a representative from each of the Partner Games for the purposes of information sharing, policy development and overall communications. Through a written Agreement for Financial Assistance with each Partner Board, deliverables are determined and subsequently measured through open discussion.
In all instances of the BC Games Society's involvement, there is an underlying faith that cities and municipalities across the province wish to host the BC Games. Should a candidate city not emerge for those BC Games currently looking for a host, those performance measures and targets would not be achieved.	The BC Games Society continues to market the opportunities associated with hosting the BC Games to all BC communities, regardless of size. By communicating with Mayors and Recreation Directors at their respective conferences, the *good news* of the BC Games is consistently told.

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[8] while this plan was being written, discussions are underway for the return of the Agreement for Financial Assistance for the BC Seniors Games Society to the Sport and Recreation Branch

Mission, Vision and Values

Mission

Through partnerships, the BC Games Society is committed to providing event management leadership in the creation of development opportunities for individuals, sport organizations, and host communities.

Vision

Entrepreneurial approaches, mutual accountability, and transparency in all our partnerships are standard methods of operation.

The economic and social benefits to communities in hosting the Games produces quality bids and experiences from a variety of host communities.

BC athletes, coaches, and officials in national and international competition will benefit from the experience of a BC Games.

Public and private sectors value and support the BC Games.

Host Communities, athletes, coaches, managers, officials, and volunteers remember the BC Games as a best ever multi-sport experience.

The BC Games are a vehicle for community legacies, trained coaches, new sport clubs, facility improvements, community pride and spirit, and skilled event management volunteers in each host community.

BC Games Society Board represents an effective, ethical, and responsible model in leadership and governance.

Values

Partnerships and collaboration are the foundation of our working relationships where appreciation and understanding of all partners' perspectives are actively sought.

We have an organizational climate of mutual trust and support between Board and Staff, where roles and responsibilities are clarified, policies are followed and contributions of the team and individuals are honoured.

Our dynamic approaches continually redefine and determine the most efficient and effective method of delivering event management services and programs.

Commitment to social issues affecting all British Columbians around health and wellness, personal and community development, equity, access and inclusiveness is demonstrated.

Investment in our human resources is critical to our long-term success and we strive to offer personal/professional development opportunities to Board, Staff, and Volunteers.

Alignment with Government's Strategic Plan

The BC Games Society Supports Government's Priorities

- To make BC the best educated, most literate jurisdiction on the continent
- To lead the way in North America in healthy living and physical fitness
- To build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors
- To lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none
- To create more jobs per capita than anywhere else in Canada

BC Games provides leadership in three of these priorities:

To make BC the best educated, most literate jurisdiction on the continent

Our continuing commitment to the provision of quality written resources for the training and education of volunteers continues. Our *Guidelines for the Host Community* are now on-line, making them more accessible to more volunteers. Partnering with 2010 Legacies Now and their Vol Web project, will provide even greater resources to volunteers allowing them to expand their knowledge base, giving them added skills, greater knowledge and gained confidence.

To lead the way in North America in healthy living and physical fitness

The purpose of the BC Winter and BC Summer Games is to provide an opportunity for the development of athletes, coaches, and officials in preparation for higher levels of competition in a multi-sport event. BC Games Society promotes interest and participation in sport and sporting activities, individual achievement and community development.

To build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors

Integration of athletes with a disability has been a way of doing business since our inception. Recently, we have expanded our opportunities for these athletes by including additional Paralympic sports in our BC Winter Games; our event management partnerships with the BC Seniors Games and BC Disability Games means additional financial resources and professional staff provide for positive experiences for athletes from both constituencies.

Direction from Government

A *Shareholders Letter of Expectations* between the Shareholder and the BC Games Society was signed on June 12, 2006. This letter is an agreement of the respective roles and responsibilities of each and serves as the basis of agreement between the Shareholder and the BC Games Society including high level performance expectations, public policy issues, and strategic priorities. This letter can be found at www.bcgames.org.

Goals, Objectives, Strategies, Measures and Targets

When establishing goals for the BC Games Society, it was imperative to look at our core business function, which is the delivery of the BC Winter and BC Summer Games. These BC Games must be done in partnership with the Provincial Government and the corporate sector, as they are our primary funding sources. Our goals reflect our priorities to volunteer support and the requirement to supplement our Provincial grant through corporate collaboration. Our goals, strategies, performance measures and targets have been revised from the previous service plan in order to focus on key aspects of performance.

During the term of this Service Plan, the primary goals of the BC Games Society shall be:

Goal 1 – Effective Management of BC Winter Games, BC Summer Games, and Partner Games

Goal and Objectives

In partnership with the Kimberley-Cranbrook 2008 BC Winter Games Society, the Kelowna 2008 BC Summer Games Society, and the Terrace 2010 BC Winter Games Society plan, prepare and implement quality multi-sport events for the benefit of participants, volunteers, and funding and corporate partners.

Working with the Parent and local Boards of the Northern BC Winter Games, the BC Disability Games and the BC Seniors Games, plan, prepare, and implement quality multi-sport events for the benefit of participants, volunteers, and funding and corporate partners.

Key Strategies

Provide concise written and online materials to support the volunteers in creating a quality BC Games.

Promote Provincial Sport Organizations use of the BC Winter and BC Summer Games through Memorandums of Understanding as a key element in the continuum of their athlete, coach, and officials' development while recruiting and maintaining a network of key volunteers across the province.

Performance[9] Measures		Targets			
	05 / 06 Actuals	06 / 07 Forecast Kamloops 2006 BC Summer Games	Year 1- 07/08 Kimberley-Cranbrook 2008 BC Winter Games	Year 2 –08/09 Kelowna 2008 BC Summer Games	Year 3 – 09/10 Terrace 2010 BC Winter Games

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[9] statistics provided through surveys of volunteers using Zoomerang online application

Volunteers use and value on-line tasks, samples and protocols to effectively manage their Games	Volunteers during the Greater Trail 2006 BC Winter Games indicated a 73% approval for the quality of materials provided.	Survey results of Kamloops 2006 BC Summer Games volunteers indicated an 87% approval for the quality of materials provided.	Surveys of Kimberley / Cranbrook and future volunteers expected to meet or exceed baseline results as guidelines become more refined Year 1 - 75% satisfaction Year 2 – 80% satisfaction Year 3 – 80% satisfaction		
Performance Measures		Targets			
	05 / 06 Actuals	06 / 07 Forecast Kamloops 2006 BC Summer Games	Year 1 Kimberley-Cranbrook 2008 BC Winter Games	Year 2 Kelowna 2008 BC Summer Games	Year 3 Terrace 2010 BC Winter Games
Coaches attending the BC Winter Games and BC Summer Games are certified at the required level II	52%[10] of coaches attending the Trail Games were certified to BC Games standards	70% of attending coaches at the Kamloops Games will be certified	70% of attending coaches at the Kimberley-Cranbrook Games will be certified	80% of attending coaches at the Kelowna Games will be certified	80% of attending coaches at the Terrace Games will be certified
Athletes and coaches in the BC Winter and BC Summer Games move on to higher levels of competition including the Canada Games	41% (144) athletes and 75% (40) of the coaches attending the Regina 2005 Canada Games were BC Games alumni (52.5% of entire team)[11]	expect 60% of the Canada Winter Games team to have had a BC Games experience. Results known March 2007	It is expected future surveys will show increases to the baseline based upon adherence to the BC Games core sport program[12] No Canada Games in Year 1 expect 70% of the 2009 Canada Summer Games team to have had a BC Games experience during Year 2		
Legacies in each of the three years include new sport club development, hundreds of trained volunteers, equipment and facility upgrades	Trail Games trained 3110 volunteers while directly investing $88,767 in sport during the Games. Post Games legacy for future investment and opportunity is $69,864[13]	Kamloops Games will invest $80,000 of cash and in-kind into sport while dispersing an additional $75,000 in legacy grants. Recruited volunteers numbered 3246	Kimberley-Cranbrook Games will invest $80,000 of cash and in-kind into sport while dispersing an additional $65,000 in legacy grants. Recruited volunteers expected to be 2300	Kelowna Games will invest $80,000 of cash and in-kind into sport while dispersing an additional $75,000 in legacy grants. Recruited volunteers expected to be 3500	Terrace Games will invest $80,000 of cash and in-kind into sport while dispersing an additional $65,000 in legacy grants. Recruited volunteers expected to be 2300

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[10] statistics provided by participating Provincial Sport Organizations

[11] statistics provided by the Team BC program (Sport Division / Ministry of Tourism, Sport and the Arts)

[12] Core Sport Program identifies how sport can access opportunities at BC Winter and BC Summer Games (more info @ www.bcgames.org)

[13] financials from audited statements / volunteer figures from BC Games enabling software

Goal 2 – Entrepreneurial Activities to support financial sustainability and program enhancement					
Goal and Objectives					
To ensure financial sustainability and enhancement of BC Games through entrepreneurial activity by increasing the level of non–Governmental fiscal support to the benefit of the BC Summer and BC Winter Games.					
Key Strategies					
Establish new and maintain existing corporate partners through a thorough delivery on our contractual obligations Provide supportive documentation and event management to Host Communities to recruit and develop local cash and value-in-kind support					
Performance[1] Measures			Targets[14]		
	05 / 06 Actuals	06 / 07 Forecast Kamloops 2006 BC Summer Games	Year 1 Kimberley / Cranbrook 2008 BC Winter Games	Year 2 Kelowna 2008 BC Summer Games	Year 3 Terrace 2010 BC Winter Games
As corporate partners, Air Canada Jazz, Global Television – BC and TELUS provide cash and in-kind services to offset budgeted expenditures	AC Jazz provided $105,000 value through charter discounts and staff travel[15]	AC Jazz provides $110,000 value through charter discounts and staff travel	Contract renegotiation with Air Canada Jazz beginning April 1, 2007 – anticipating a two- year renewal	AC Jazz provides $110,000 value through charter discounts and staff travel	AC Jazz provides $110,000 value through charter discounts and staff travel
	Global TV provided $80,000 in-kind value	Global TV re-signed as partner and provides $80,000 in-kind value	Global TV provides $80,000 in-kind value	Global TV provides $80,000 in-kind value	Global TV provides $80,000 in-kind value
	TELUS provided $85,000 cash and in-kind value	TELUS provides $85,000 cash and in-kind value	TELUS provides $85,000 cash and in-kind value	TELUS provides $85,000 cash and in-kind value	Contract renegotiation with TELUS begins April 1, 2008 – anticipating a 3 year renewal
		Assisted Kamloops in bringing BC Lottery Corp. on as a $60,000 partner	BC Lottery Corp. signs as new partner – value $40,000	BC Lottery Corp. renews for second year	BC Lottery Corp. renews for third year

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[14] values received from Corporate Partners detailed in respective contracts with BC Games Society

[15] cancellation of BC Disability Games in 2006 meant reduction in sponsorship value due to lack of promotional opportunity

				BC Games Society adds second new partner – value $70,000	New partner enters 2nd year of agreement
Host Community budgets are supported by local Government and business through cash and in-kind contributions	Greater Trail received $435,000 in cash and value-in-kind	Kamloops receives $107,650[16] cash and $ 255,411 value in-kind for its BC Summer Games[17]	Kimberley-Cranbrook receives $40,000 cash and $ 300,000 value in-kind for their BC Winter Games	Kelowna receives $60,000 cash and $ 500,000 value in-kind for its BC Summer Games	Terrace receives $40,000 cash and $300,000 value in-kind for their BC Winter Games

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[16] cash included partnership with BC Lottery Corp negotiated by BC Games Society

[17] values taken from bid documents (cash) and past Games' examples (value-in-kind)

Budget 2007-2010

07/08 Budget based on figures approved November 14,2006

Summary Financial Outlook
2007/08 - 20010/11

	2005/06 Actual	2006/07 Budget	2007/08 Forecast	2008/09 Forecast	2009/10 Forecast	20010/11 Forecast
Total Revenue	**2,262**	**2,475**	**2,727**	**2,806**	**2,729**	**2,851**
Province of BC grant[18]	2,027	2,137	2,262	2,222	2,262	2,262
Other Revenues[19]	235	338	465	584	467	589
Total Expenses	**2,305**	**2,458**	**2,727**	**2,569**	**3,010**	**2,851**
Grants	704	785	750	700	715	720
Games Operations	588	539	845	730	1,145	955
Overhead	1,013	1,134	1,132	1,139	1,150	1,176
Operating Income (Loss)	**(43)**	**17**	**0**	**237**	**(281)**	**0**
Net Income (loss)	**(43)**	**17**	**0**	**237**	**(281)**	**0**
Operating and Capital Surplus B/F	896	853	870	870	1,107	826
Operating and Capital Surplus C/F	**853**	**870**	**870**	**1,107**	**826**	**826**
FTEs	**9**	**9**	**9**	**9**	**9**	**9**
Capital Expenditures[20]	**23**	**39**	**47**	**26**	**18**	**40**

Key Assumptions	Forecast Notes, Risks and Sensitivities
• During the period covered by this Service Plan, the BC Games Society will plan for / fund / stage: • Powell River 2007 BC Disability Games[21] • Nanaimo 2007 BC Seniors Games • Dawson Creek 2008 Northern BC Winter Games • Kimberley-Cranbrook 2008 BC Winter Games • Kelowna 2008 BC Summer Games • Prince George 2008 BC Seniors Games • Mackenzie 2009 Northern BC Winter Games • Maple Ridge 2009 BC Disability Games • 2009 BC Seniors Games • Prince Rupert 2010 Northern BC Winter Games • Terrace 2010 BC Winter Games	• Review of involvement with BC Seniors Games Society and their Games under review. Decisions expected February '07 • BC Games Society is reviewing the frequency and structures of all five multi-sport Games to ensure maximum benefit to athletes and communities and to ensure sustainability of each individual Games. Changes may affect financial forecasts in 2008/2009 • External travel in 07 /08 and 09/10 reflects projected increases based on 3rd party estimates [22]

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[18] as of April 1, 2005 Society's grant is delivered through an Agreement for Financial Assistance with the Sport and Recreation Branch of the Ministry of Tourism, Sport and the Arts

[19] fluctuations in self-generated revenue due to athletes' fees (more athletes in summer games than winter games)

[20] systems / software development

[21] In June 2006, BC Disability Sports moved to an odd year, biennial model for BC Disability Games delivery

[22] Society policy is to fly participants should they reside 800 km or more from the host city. The balance of participants are provided charter bus travel

BRITISH
COLUMBIA
The Best Place on Earth

BC Housing

40 YEARS

SERVICE PLAN
2007/08 – 2009/10

HOUSING MATTERS

BRITISH COLUMBIA
The Best Place on Earth

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Message from the Chair and Chief Executive Officer

We are proud that over the past 40 years, BC Housing has remained committed to making a difference in people's lives through housing. We live by our values and ensure that our organization is efficient and accountable for how we spend public funds.

We have shown what can be achieved when challenging targets are set. We embrace the partnerships that allow us to achieve these targets, and are proud of our ongoing relationships with all levels of government, non-profits, co-operatives and the private sector. Collectively, our passions, resources and commitment help us to change people's lives for the better. Our approach is to help those who are most vulnerable or at greatest risk, while also building a more effective system for meeting wider housing and support needs.

When BC Housing first started in 1967, we assisted 1,350 households, supporting mostly seniors and families. This year, that assistance will grow to 98,670 households. From our first partnerships with the federal government to the vibrant and continually evolving partnerships we enjoy today, BC Housing embraces continuous improvements.

We recognize and appreciate the contributions our partners make towards helping British Columbians in need. As we celebrate our 40th anniversary, we are proud of our history and our achievements, but our work is far from done. Ever evolving, BC Housing continues to change to best meet the needs of vulnerable British Columbians.

Last year, the Province launched a new housing strategy, *Housing Matters BC*, aimed at strengthening our response to those in need. *Housing Matters BC* is an action plan that brings together our housing partners to address the challenging issue of affordable housing at its core, rather than manage it at the margins. It reflects a belief that every individual and family needs safe, affordable housing. *Housing Matters BC* sets out new approaches to tackle the personal and social causes of housing need alongside structural issues like housing supply.

That is why, in this three-year plan, we have set a challenging target to build 2,755 new homes by 2009/10, provide financial assistance to another 20,390 low-income seniors and families to live more affordably in the private market and support the administration and long-term maintenance of social housing.

This plan sets out in more detail our strategy for working across Government, with local municipalities and with non-profit-sector agencies and other partners to achieve this aim.

BC Housing's 2007/08 to 2009/10 Service Plan was prepared under our direction in accordance with the *Budget Transparency and Accountability Act*. We are accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and overall strategic plan. All significant assumptions, policy decisions, and identified risks, as of February 2007, have been considered in preparing this plan.

The performance targets in this plan have been determined based on an assessment of BC Housing's operating environment, forecast conditions, risk assessment and past performance. We are accountable for ensuring that BC Housing achieves the specific objectives identified in the plan and for measuring and reporting actual performance. Any significant limitations in the reliability of data are identified in the plan.

We are grateful to everyone who has contributed to the progress achieved over the last 40 years. We look forward to working with all of our partners to build the best system of housing and support in Canada for vulnerable British Columbians.

Brenda Eaton
Chair

Shayne Ramsay
Chief Executive Officer

Our Business Today

We are a provincial Crown agency and serve our clients using public funds. In order to best meet the needs of the most British Columbians in a cost-effective manner, BC Housing has developed strong partnerships across all levels of government, as well as with the public and private sectors. We strive to maximize the benefits of public funds through leveraging these relationships to provide vulnerable British Columbians with increased housing options.

Finding affordable and appropriate housing can be difficult in British Columbia. In both our small towns and large cities, we continue to see record levels of homeless people in shelters every night, growing numbers of seniors who require supportive and assisted living and increases in the number of low-income families who are experiencing difficulties finding quality housing that they can afford.

These challenges require increased resoruces, which we are providing. They also require new approaches and a real transformation in service delivery. We are committed to testing and supporting innovation and positive change.

There are a number of changes to the way we deliver existing housing programs. In order to address gaps within the housing continuum, several initiatives are being undertaken to create a smoother transition from emergency housing to transitional housing and to permanent housing. A new homelessness outreach program is connecting homeless individuals with income assistance, health services and affordable housing. The outreach program complements the Emergency Shelter Program that is being enhanced by converting seasonal beds to year-round shelter. This will help to create an integrated system of housing and support and will ensure a more comprehensive approach to homelessness.

A significant change to the housing continuum is the *Canada/BC Social Housing Agreement*, which transfers the administration of the federal portfolio of about 17,300 social housing units to BC Housing. This is a tremendous opportunity to harmonize various programs and reduce the administrative burden for housing providers. The Agreement also provides opportunities to look at the redevelopment of existing housing complexes.

We must continue to find innovative ways to support affordable housing, even in times where there are significant risks that are beyond our control such as the rising costs of utilities, insurance and construction. Many developments in our portfolio are aging, necessitating maintenance and improvement programs to ensure that this housing meets the future needs of our tenants. While risks cannot be eliminated, BC Housing has specific risk management processes to minimize or mitigate them.

Building on successes:

- New Rental Assistance Program to assist low-income families
- Enhanced Shelter Aid For Elderly Renters (SAFER) Program for seniors
- Conversion of 750 existing social housing units to supportive housing for seniors which complements the Independent Living BC program
- Enhanced community support programs for our public housing buildings
- More shelter beds will be available as seasonal beds are converted to year-round shelter beds
- Improved co-ordination of social housing across the province through the administrative transfer of 17,300 federally funded units to BC Housing as of January 15, 2007
- Launch of a new Aboriginal housing supply program

Our Business Direction

Our goals are bold. In the next three years, BC Housing will focus on initiatives to increase housing options, maintain and administer existing housing and provide and deliver client services cost-effectively. BC Housing evaluates its performance with specific targets and measures, mapping the right indicators for each of our four goals. This will enable BC Housing to modify plans at early stages, and ensure we are on the right track to meeting our goals. The Service Plan ends with a high-level review of the financial outlook for BC Housing.

The Housing Strategy for British Columbia, *Housing Matters BC*, provides the framework for the evolution of the affordable housing sector. The housing strategy focuses our attention in two specific directions:

- Ensuring that individuals or households with special housing needs are given priority access to subsidized housing; and
- Renovating or redeveloping provincially owned subsidized housing to better meet the needs of low-income households with special housing needs.

The strategies outlined in *Housing Matters BC* are client focused. BC Housing is the lead government agency ensuring that the first four of the six provincial strategies (see box at right) are met through a variety of programs and partnerships. The programs and services associated with each of our goals address the needs of a variety of groups at the same time.

We are ensuring that we develop new units at the supportive end of the housing continuum in order to promote individuals' stability, self-reliance and independence. We are building the next generation of social housing with our non-profit, government and private partners; these are smart and efficient designs that encourage healthy communities through programs such as:

- Independent Living BC, a housing-for-health partnership program designed to meet the needs of seniors and people with disabilities who require some personal assistance, but do not need 24-hour care;
- The Provincial Homelessness Initiative, which provides a comprehensive approach to homelessness, mental illness and addictions by integrating housing with the appropriate support services; and
- A new Aboriginal housing program that will create units specifically for Aboriginals using the funding under the federal Aboriginal Affordable Housing Trust.

Affordable housing options are also being created in the private market through the use of rent assistance. Many low-income families and seniors do not have special housing needs. These households simply do not have enough income to pay rent in private market – there is a gap between their rent and what they can afford to pay. Portable housing allowances that can be used in the private rental market are an effective way to assist these low-income households. An existing housing allowance program, the Shelter Aid for Elderly Renters (SAFER) program, has successfully assisted many low-income seniors for over 25 years. The Province recently created a new housing allowance program for families, the Rental Assistance Program. The recently expanded SAFER program and the Rental Assistance Program mean greater housing choice and assistance to bridge the affordability gap in the private rental market.

All British Columbians – tenants, First Nations, our housing partners, other levels of government and our employees – will play a role in shaping affordable housing in the future. Working together, we will continue to create housing solutions for healthier futures.

A housing strategy for British Columbia launched in October 2006, *Housing Matters BC*, sets out six strategies for better meeting the housing needs of British Columbians:

1. The homeless have access to stable housing with integrated support services
2. B.C.'s most vulnerable citizens receive priority for assistance
3. Aboriginal housing need is addressed
4. Low-income households have improved access to affordable rental housing
5. Homeownership is supported as an avenue to self-sufficiency
6. B.C.'s housing and building regulatory system is safe, stable and efficient

ORGANIZATIONAL STRUCTURE

OUR MANDATE

The British Columbia Housing Management Commission (BC Housing) was created in 1967 through an Order-in-Council under the *Housing Act* to fulfill the government's commitment to the development, management and administration of subsidized housing.

OUR VISION, MISSION AND VALUES

OUR VISION: Housing solutions for healthier futures.

OUR MISSION: Creating the best system of housing and support for vulnerable British Columbians.

OUR CORE VALUES: The following values are reflected in all aspects of our performance. We believe that each person at BC Housing has a role to play in integrating these values into our day-to-day activities and ensuring our success as an organization in delivering our mandate.

Integrity: We are open, fair and honest in our decisions and interactions with clients, government, the public and each other.

Respect: We treat all people with respect and dignity. BC Housing respects community leadership and relies on local expertise to find solutions to serve those in need.

Commitment: We are committed to making a positive difference in the lives of others by ensuring that BC Housing employees are professional and engaged.

Service: We provide accessible, equitable and responsive service to our clients, housing partners and colleagues by responding to their individual needs.

Accountability: We are conscious of how we spend taxpayers' dollars. We work to ensure accountability to clients, government and the public through effective and efficient delivery of programs and services.

Governance

Board of Commissioners

BC Housing is responsible to the Minister of Forests and Range and Minister Responsible for Housing through a Board of Commissioners. The government appoints the board to oversee policy-making for the organization and, in cooperation with senior management, to set the strategic direction. The board also monitors performance based on the Province's planning and reporting principles. The board delegates responsibility for the day-to-day leadership and management to the Chief Executive Officer.

The Board incorporates best practices into its governance procedures as guided by the *Best Practice Guidelines on Governance and Disclosure for Public Sector Organizations*. As requested in the guidelines, BC Housing's disclosure is available on the company's website at www.bchousing.org.

Standing Committees of the Board of Commissioners

The following three standing committees support the role of the Board of Commissioners in fulfilling its obligations and oversight responsibilities related to audit and risk management, governance and human resources.

1. Audit and Risk Management Committee
The purpose of the Committee is to ensure that the audit process, financial reporting, accounting systems, management plans and budgets, and the system of corporate controls and risk management are reliable, efficient and effective.

2. Corporate Governance Committee
The purpose of the Committee is to ensure that BC Housing develops and implements an effective approach to corporate governance. This enables the business and affairs of the Commission to be carried out, directed and managed with the objective of enhancing value to government and the public.

3. Human Resources Committee
The purpose of the Committee is to provide a focus on senior management human resource and compensation issues.

Code of Conduct

The Board of Commissioners adheres to the following standards of conduct when exercising its powers and performing the functions of the organization:

- Act honestly, in good faith and in the best interests of BC Housing;
- Exercise care, skill and diligence in decision making; and,
- Follow ethical standards in order to avoid real or apparent conflict of interest between commissioners' private interests and the interests of BC Housing.

The Standards of Conduct guide the conduct for the board, employees, consultants and contractors and suppliers. The code is also available on BC Housing's website at www.bchousing.org.

Organizational Chart

The following chart highlights BC Housing's key service areas and the responsibilities and accountabilities in each area. There are 461 full-time-equivalent staff employed across the Commission.

Minister of Forests and Range & Minister Responsible for Housing
Honourable Rich Coleman

Board of Commissioners
Brenda Eaton, Chair

Chief Executive Officer
Shayne Ramsay

OPERATIONAL BRANCHES

Operations

Vice President:
Margaret McNeil

- Provides access to subsidized housing
- Maintains the quality of existing social housing
- Oversees the management of public housing and group homes
- Administers operating agreements of shelter providers, non-profit housing societies and cooperatives

Development Services

Vice President:
Craig Crawford

- Facilitates the development of housing options through the following programs:
  - Independent Living BC
  - Provincial Homelessness Initiative
  - Community Partnership Initiatives

Corporate Services

Vice President and
Chief Financial Officer:
Dan Maxwell

- Provides operational services including finance, information systems, research and planning, legal and program analysis
- Provides mortgage administration for BC Housing and the Provincial Rental Housing Corporation

SUPPORT BRANCHES

Human Resources

Executive Director:
Agnes Ross

- Recruits and trains staff
- Facilitates labour relations, negotiations, compensation, job evaluation, payroll, benefits management, employment equity and multiculturalism
- Oversees occupational health and safety

Corporate Communications

Director:
Susan Thom

- Provides a broad range of internal and external communications services including communication strategies, media relations, issues management, housing events/announcements, government and stakeholder relations, website management and publications

Relationship to the Provincial Rental Housing Corporation

The Provincial Rental Housing Corporation (PRHC) was incorporated in 1973 under the *Business Corporations Act* and exists solely as BC Housing's land-holding company. It holds provincially owned social housing properties, and leases residential properties to non-profit societies and co-operatives. As of March 31, 2006, PRHC held properties with an original cost of over $400 million.

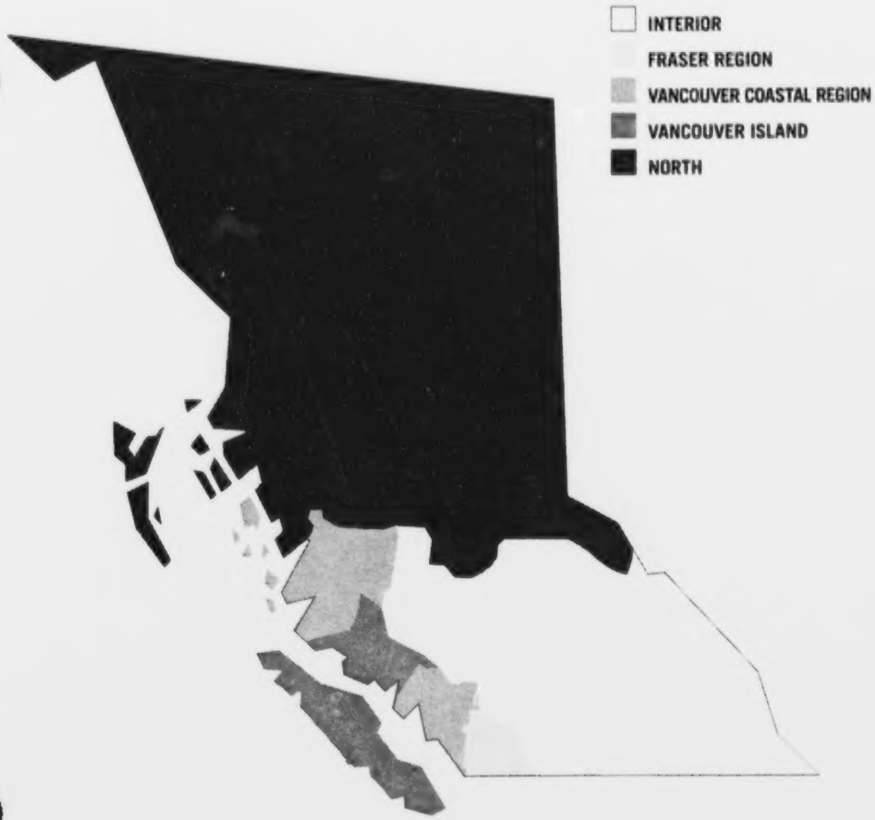
The Minister Responsible for Housing is the sole shareholder of PRHC. Because of its relationship with BC Housing, PRHC is administered by BC Housing. To ensure the appropriate governance links between the two entities, senior management of BC Housing serve as PRHC's Directors. PRHC does not employ any staff.

The Housing System

The vast majority of British Columbians are housed successfully in the private housing market. Even with the rising cost of home ownership and renting in our larger urban centres in the past few years, the private market is meeting the majority of housing needs for B.C.'s population. Within this context, government's role is to help ensure that the housing market functions effectively. This means the legislative and regulatory frameworks for building safely balance the needs of the housing construction industry with consumer protection for home buyers; landlords and tenants understand their rights and responsibilities and have access to dispute-resolution services; and British Columbians have a range of housing options to choose from that are affordable for people with a broad range of incomes.

There are some households, however, which are unable to find suitable housing in the private market because of a combination of factors. In many cases, households spending 50 per cent or more of their income on rent are considered to be in the worst case need, and at risk of economic eviction or homelessness. Government-assisted housing in British Columbia is administered by BC Housing and targeted to lower-income households, many of whom have complex housing and health needs. Providing assistance to those in crisis is fundamental to our programs and services.

The map below shows BC Housing's service regions. Using 2001 Census data, the tables show the general distribution of approximately 69,000 households paying 50 per cent or more of their income on rent and those assisted in 2006 through the current inventory of subsidized units.



VANCOUVER COASTAL REGION	
Total number of households [1]	380,770
Households spending > 50% of their income on rent	23,000
Households assisted through subsidized housing	32,430
FRASER REGION	
Total number of households [1]	472,485
Households spending > 50% of their income on rent	19,200
Households assisted through subsidized housing	26,010
INTERIOR	
Total number of households [1]	291,125
Households spending > 50% of their income on rent	12,000
Households assisted through subsidized housing	17,120
NORTH	
Total number of households [1]	93,055
Households spending > 50% of their income on rent	4,000
Households assisted through subsidized housing	8,340
VANCOUVER ISLAND	
Total number of households [1]	225,850
Households spending > 50% of their income on rent	11,000
Households assisted through subsidized housing	14,770

[1] Based on 2001 Census data (Note: 2006 Census data is not yet available.)

Who We Serve

In 2007 / 08, government-assisted housing will help approximately 98,670 households across the province, with the majority of this housing targeted to those who are most vulnerable. In order to help people move along the continuum and out of emergency or transitional situations (i.e. homeless) to more stable situations (i.e. housed), a combination of housing and supports is needed.

Frail seniors, people at risk of homelessness, people with mental illnesses and physical disabilities, those with drug and alcohol addictions, Aboriginals and youth and families, including women with their children fleeing abusive relationships, represent some of the most vulnerable groups in our society. They need more than a roof over their heads; they need housing with support services in order to lead healthier lives that allow them to participate more fully in their communities. Other households, whose housing problems stem solely from low income, are being helped through rental assistance programs in the private rental housing market, where most already live. Affordable housing is a bridge that allows people to achieve greater stability in their lives and become more capable of moving away from government income or housing assistance.

Individuals who are Homeless

Homelessness is a growing concern for many communities throughout B.C.

There are a number of challenges to finding appropriate housing for people who are homeless. Some of these challenges are housing-related such as affordability, availability and suitability, while others are related to life events including disabilities, health issues, social exclusion, joblessness and a breakdown of relationships. Whatever the reason, individuals who are homeless require support and assistance to achieve stability and independence. In B.C., research estimates the cost of homelessness to government health care, social and justice systems at $30,000 to $40,000 per person per year.

With a growing homeless population and range of contributing factors and housing solutions, new thinking is needed. What worked five or ten years ago is insufficient for the complexities of today's housing needs. To this end, the 2006 Provincial Housing Strategy, *Housing Matters BC*, marks a new direction in how the province is addressing homelessness.

The Provincial Homelessness Initiative will continue to ensure that homeless individuals have access to stable housing with integrated support services (at least 1,462 new units will be created by 2009 / 10). The Emergency Shelter Program will continue to serve as a necessary linkage for seamlessly moving homeless people from emergency shelters to housing with the appropriate supports to help them achieve greater self-sufficiency. New Homeless Outreach Teams will help homeless individuals in more than 20 different communities access these services in their time of need. In 2007 / 08, BC Housing will provide $83.7 million to shelter providers and non-profit housing societies to assist more than 3,820 homeless individuals on any given night of the year.

Individuals who are homeless

Jim Gaffney was a successful shipbuilder/fitter with a family and a home, but then things fell apart – his marriage, his family, his home and his job. Jim had to depend on food banks and emergency shelters, and ended up living under a bridge. Added to this, Jim has struggled with alcoholism for much of his adult life. But in 2006, Jim was living at the Lookout Emergency Aid Society's transition housing in Vancouver. "If you get your self-esteem and self-respect back, if you get a place to live, everything else should fall into place," he said. Affordable housing and addiction treatment contributes to the success of people like Jim.

Frail Seniors and Individuals with Special Needs

The changing socio-demographic profile of households represents a significant challenge. The number of senior-led households is expected to increase from 246,000 in 2001 to over 652,000 by 2031.[1] These demographic changes are putting pressure on social housing buildings – where almost 17,930 seniors live. Some seniors may need financial assistance; others may also require health support as they age in place.

For many British Columbians with special needs, it is not enough that their housing is affordable. Our most vulnerable citizens need a range of support services to help them move to more stable lives, and supportive housing allows them to live independently. The Provincial Housing Strategy *Housing Matters BC* mandates that B.C.'s most vulnerable citizens receive priority assistance. People who require special-needs housing include those with severe physical disabilities, chronic mental illness, those living with HIV/AIDS, drug and alcohol dependencies and women and children fleeing abusive situations.

This year, BC Housing will spend $96.2 million to assist approximately 14,610 individuals with special needs and 3,320 frail seniors.

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[1] BC Stats, P.E.O.P.L.E. Projections 31.

Frail seniors

A spunky 97 year old, Antoinette Pajak, "Toss" to her friends, had found that her health was making it difficult to live on her own. Still wanting to be as independent as possible, Toss feels her new assisted living home at The Wellesley in Victoria is ideal. "My meals are made, I've got more medical attention if I need it, and housework is done for me," she said.

Toss's new apartment is subsidized under the Independent Living BC program that provides assisted-living homes to frail seniors and people with disabilities. The program offers a middle option to bridge the gap between home care and residential care for those who need some assistance, but don't want or need 24-hour care.

Individuals with special needs

Kevin Cardinal is a recent graduate of the Addiction Recovery Program, a partnership between BC Housing and Vancouver Coastal Health. The program provides transitional housing to participants, a factor that was key to Kevin's recovery. "It was very important to have a home that was clean and safe," he said. "I was able to stay off the streets and away from the craziness of the Downtown Eastside." Kevin volunteers every week and attends AA meetings, bible study classes and church. He is hoping to complete secondary school and to help others by talking about his struggles as well as his successes. For his outstanding participation in the Addiction Recovery Program and his work with others in recovery, Kevin received the 2006 Karen Rubin Memorial Award.

Aboriginal Individuals and Families

More than 28 per cent of off-reserve Aboriginal households are in core housing need compared to 15.8 per cent for all non-aboriginal households. The Provincial Housing Strategy addresses this discrepancy in three key ways: by earmarking funds to build housing that addresses the large number of Aboriginal people who are homeless; through finalizing the transfer of administration responsibility of Aboriginal subsidized housing to the Aboriginal Housing Management Association; and through linking trades training for Aboriginal people with the new construction of subsidized housing. BC Housing will spend approximately $38.5 million to assist 3,200 Aboriginal families and individuals in 2007/08.

Aboriginal individuals and families

Brody Vickers lives in Vancouver Native Housing Society's elders' building. "It was hard to make ends meet and to keep up with the rent before I came here," he said. "It's very good here and the people are good to me." The Society offers tenants additional support through programs that create a greater sense of community and recreational services that are offered on site.

Low-Income Seniors and Families

Approximately 69,000 households in British Columbia are unable to find housing that is suitable in size and in good repair without spending 50 per cent or more of their income on rent. Adding to this challenge is the extremely low vacancy rate in many urban areas.

For over 25 years, the Shelter Aid for Elderly Renters (SAFER) program has provided assistance for low-income seniors. The budget for this program was doubled in 2005. A similar program for low-income families – the Rental Assistance Program – was also created. This program provides assistance to low-income, working families renting in the private market.

A large portion of BC Housing's budget, approximately $296.7 million, will assist 73,720 families and seniors to have affordable homes.

Seniors who are renting

John, a long-time resident of Chilliwack, has received rent assistance from the Province's Shelter Aid for Elderly Renters (SAFER) program since 1997. "It's always been a lifeline for me," he said. Fortunately, when John had to move to a more expensive home, his SAFER supplement increased. An increase in SAFER's funding meant that John and others like him can rest a little easier.

Families who are renting

Lucrecia Hernandez Ramirez had been on the applicant list for social housing for over three years when she learned about the Province's new Rental Assistance Program. Lucrecia, a single mom, was thrilled when she found out she was eligible. "It's an extra $150 a month for my rent, which is fantastic," she said.

Households Assisted by the Continuum of Housing and Support Services

Government-Assisted Housing
(Accounts for almost 6% of the province's total housing stock)

Level of Support Services

HIGH | MODERATE | LOW

DEPENDENT → INDEPENDENT

3,820

Emergency Shelter & Housing for the Homeless

3,820 homeless individuals assisted including:
- Up to 1,320 homeless served nightly in shelters
- 2,500 homeless housed

17,930

Transitional Supportive & Assisted Living

17,930 individuals assisted including:
- 14,610 people with special needs
- 3,320 frail seniors

43,760

Independant Social Housing

43,760 households assisted including:
- 23,500 low-income seniors
- 17,060 low-income families
- 3,200 Aboriginal families and individuals

33,160

Rent Assistance in the Private Market

33,160 households assisted
- 18,280 seniors
- 14,880 families

APARTMENT
FOR RENT

Private Market Rentals

HOME
FOR
SALE

Home Ownership

How We Serve British Columbians

The Province is committed to building the best system of support in Canada for people with disabilities, those with special needs, children at risk and seniors. BC Housing's role is to assist vulnerable British Columbians in need of affordable and appropriate housing so that they may have healthier futures. We are able to provide this assistance through existing temporary and permanent housing. Where there are gaps in the housing continuum, we work to address these through the creation of new housing options or by adapting existing housing to better meet the needs of vulnerable citizens.

We also want to make it as simple as possible for people to access subsidized housing. And, once people are living in subsidized housing, we want to ensure that they are safe and receive the supports they need to lead healthy lives. Many individuals and families benefit from housing assistance when they need it the most. Affordable housing is a bridge that allows people to return to school, obtain full-time employment, and explore alternative housing options including homeownership. Individuals become more capable of moving away from government income or housing assistance. Every aspect of BC Housing's business is centred on our clients. To best serve them, we have created relationships with key partners to work together to provide housing options. Below are descriptions of how we do business in partnership.

Policy Partners

The Office of Housing and Construction Standards, within the Ministry of Forests and Range, is responsible for provincial housing policy, building policy, safety policy and the Residential Tenancy Branch. By working collaboratively, government is able to ensure that housing policy is aligned with programs and services to improve access to safe and stable housing for all British Columbians.

Delivery Partners

Housing assistance is provided through a number of mechanisms including public, non-profit and co-operative housing, as well as through rent assistance to people living in the private rental market. BC Housing provides financial, administrative and technical support to its delivery partners, in addition to administering long-term operating agreements and the provision of housing subsidies. BC Housing's role is one of stewardship and accountability.

Service Partners

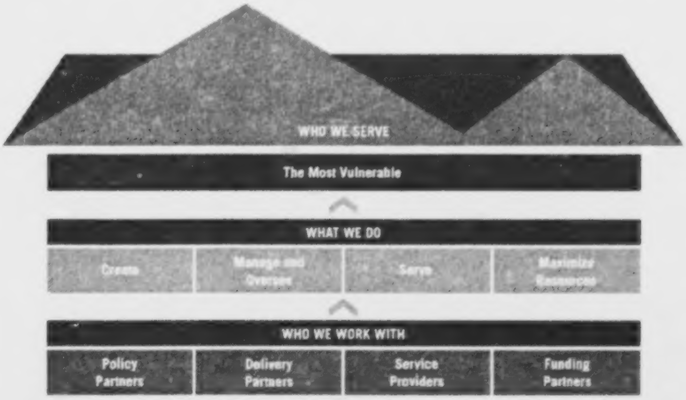
In responding to the needs of British Columbians, access to housing must often be combined with other support services (e.g. income support, health, education, employment and skills training). BC Housing has engaged in innovative service partnerships that integrate housing and support services. These service partnerships involve other levels of government, health authorities and service providers.

Funding Partners

The investment required to create new housing necessitates a partnership model. No one level of government can do it alone. A public-private partnership model for the development of new housing combines funds from all levels of government and leverages private, non-profit and charitable sources. Once built, funding for the ongoing delivery of government-subsidized housing comes from a number of different partners including BC Housing, other provincial ministries and the federal government.

KEY RELATIONSHIPS

The diagram at right illustrates BC Housing's relationships with our key partners and how we work together to provide housing options. Every aspect of our business is centred on our clients. Using this client-centred approach, and in co-operation with our partners, BC Housing creates, manages and maximizes resources in order to ensure that housing needs are met for vulnerable British Columbians.



STRATEGIC CONTEXT

Planning Context and Key Strategic Issues

Our success in meeting our goals, objectives, strategies and measures is influenced by many external factors. The following is a summary of internal and external challenges and opportunities that could affect BC Housing's ability to meet our performance targets. A risk-management approach is used to assess challenges and opportunities, and to determine the appropriate strategies for responding.

CHALLENGES

Market Pressures

- B.C.'s current housing environment adds to the challenges of housing need. Very few rental housing units are being built, and in our urban centres, rents are unaffordable for many people. Additionally, existing rental buildings are diminishing as property owners pursue redevelopment opportunities. The challenges related to new supply programs include rising construction costs, which are up by more than 40 per cent over the last four years. The cost drivers include significant increases in the cost of materials and skilled labour shortages, resulting in both increased labour costs and delays in project completion.

Maintenance of the Social Housing Portfolio

- Many of the buildings that make up the public housing portfolio are aging and their mortgages are beginning to expire. Maintenance and capital-replacement costs will need to be increased for some buildings in order to ensure compliance with current health and safety standards.
- With these challenges comes an opportunity to renovate these buildings to better meet the needs of tenants and/or to accommodate support services. Some developments benefit from new funding to convert 750 units of social housing to supportive housing.
- Other buildings that occupy under-utilized land may be redeveloped, providing a number of significant opportunities. Working in partnership with the private and non-profit sectors, these lands can become mixed-income communities with subsidized housing more fully integrated into larger communities. Any proceeds from redevelopment of public housing will be reinvested back into affordable housing. As BC Housing moves forward on redevelopment initiatives, we will ensure that no resident will be left without housing assistance.

Not-In-My-Back-Yard (NIMBY)

- New housing developments for vulnerable citizens can generate fear because some people may harbour various assumptions and stereotypes about the individuals who will live in these developments. As a result, opposition referred to as "Not-In-My-Back-Yard" (NIMBY) emerges.
- As BC Housing focuses on constructing new housing for vulnerable tenants, in a handful of cases strong opposition has emerged to the developments as a result of fear and uncertainty. This type of opposition creates difficulties in making progress to address homelessness. BC Housing is working to ensure that surrounding communities learn more about the developments and that the general public and local governments are able to deal with public opposition so that consensus can be more easily achieved to move projects forward. We need to make better use of our local land base, shorten processing times and reduce the burden of fees and charges. The time to act is now; local governments have a role to play in helping the province bring down those barriers.
- BC Housing is working with municipalities to ensure information is provided for public dissemination to address the fear and uncertainly at the root of the opposition to new housing developments.

Allocation of Resources

- Some British Columbians have difficulty in meeting their housing needs, with almost 16 per cent of households in core housing need. People representing more than 15,237 households have filled out applications for subsidized housing. Therefore, housing resources must be used as efficiently and effectively as possible to ensure that those in the greatest housing need are given priority.

Internal Capacity

- An aging population is changing the dynamics of attracting skilled people at the same time as many employees are retiring or are becoming eligible to retire. Short-term economic growth is outstripping resource capacity with consequent pressure on labour availability and cost. The shortage of capable labour and the potential loss of intellectual capital poses a risk to BC Housing's ability to meet our commitment to excellence in client service, project development and ensuring the quality of our housing portfolio.

- In BC Housing's current workforce, the percentage of employees who are eligible to retire on the basis of having reached age 55 or over, exclusive of their pensionable status, is approximately 23 per cent in 2007. This will grow to 38 per cent over the next five years, and 58 per cent within the next 10 years. BC Housing is striving to recruit and retain skilled, creative, committed employees for today and the future. We want to ensure an engaged workforce for the benefit of all clients and stakeholders by strengthening our culture that values people and performance.

Changing Demographics

- It is clear that the challenges of addressing housing need in B.C. are much different than they were a decade ago. Studies tell us that the number of people who are homeless has increased and their overall health is declining. Our population is aging and this increases demand for affordable housing with support services. The number of Aboriginal people who are homeless or in core housing need is unacceptably high.

OPPORTUNITIES

Inter-Ministerial Co-ordination and Collaboration

- As part of the Premier's Task Force on Homelessness, Mental Illness and Addictions, BC Housing has been working in partnership with provincial ministries and health authorities to develop permanent, long-term housing and outreach strategies to respond to homelessness and the needs of those who are most vulnerable.

The Emergency Shelter System as part of the Continuum of Housing

- The provincial government transferred responsibility for the administration of emergency shelters, cold wet weather beds and extreme wet weather beds from the Ministry of Employment and Income Assistance to BC Housing late in 2005. This administrative change has provided an opportunity to integrate emergency housing with the housing programs and services provided by BC Housing in order to better support those who are homeless or formerly homeless. Harmonizing the housing portfolio and finding administrative efficiencies between housing and shelter programs are key priorities in this transition. The portfolio also provides some challenges as the capacity amongst the shelter providers is quite diverse; statistical analysis and reporting is difficult because of the limited technological capacity within the sector and some shelters require maintenance and capital replacement.

Enhanced Federal-Provincial Relationship

- The federal government recently announced a contribution of $106 million to help address short-term pressures with regard to the supply of affordable housing. This funding will flow to BC Housing from 2006/07 to 2008/09, and will provide the province with important partnership opportunities to meet its housing priorities. The funding may not be used for ongoing operating costs including rent supplements.

Integration of Social Housing Across the Province (Devolution)

- In January 2007, the federal government transferred the administration of 17,300 units within the federal social-housing portfolio to BC Housing. Devolution creates the potential for the redevelopment and conversion of social housing in keeping with the B.C. government's housing priorities, as well as allowing for increased administrative and operational efficiencies.

Aboriginal Capacity Building

- BC Housing is working closely with Aboriginal Housing Management Association (AHMA) to ensure the successful transition and management of the federal Aboriginal housing portfolio. Currently, AHMA is managing 322 units of Urban Native Housing, and has been doing so successfully since 2004. BC Housing staff have been working with AHMA to share knowledge and technical expertise for project management, such as administration of Operating Agreements, operational reviews, including reviewing financial statements, assisting groups with budget preparation and property management issues. This Aboriginal self-management model for social housing is the first of its kind in Canada.

- In addition, an Off-Reserve Aboriginal Housing Trust has been created to help provinces address short-term housing needs for Aboriginal Canadians living off reserve. Funding of $50.9 million will flow to BC Housing in 2007 / 08 and in 2008 / 09. BC Housing will work in consultation with the AHMA and other Aboriginal housing providers to select appropriate projects and allocate capital grants to construct new units of housing for Aboriginal households across the province.

Public-Private Partnerships (P3)

- BC Housing has entered into a number of innovative partnership initiatives with municipalities, non-profit societies, the private sector and other housing partners, which have leveraged the creation of additional housing units outside of the traditional program approach. These partnerships have been designed to respond to local housing challenges and have created additional units without the need for ongoing operating subsidies. They are great opportunities for BC Housing to work with communities to move projects forward faster.

Effective Management Strategies

- BC Housing is actively engaged in identifying strategies to streamline and improve program administration, reduce costs and promote sustainability. Initiatives expected to realize considerable efficiencies and cost savings over the next three years include projects to reform operating agreements with housing providers and develop revenue generation and retention policies for housing providers. The devolution agreement with the federal government provides an opportunity to harmonize programs, simplify reporting requirements, reduce administrative burdens and improve program effectiveness. As well, by creating incentives for housing providers to explore new ways of generating revenues or controlling costs, housing providers can take some of the pressure off their budgets.

- Continuous business improvement is a corporate priority for BC Housing. With the implementation of our new information technology system, we are working our way through a major business initiative to ensure our administrative practices meet or exceed industry standards.

Sector Sustainability

- The non-profit sector is key in the delivery of the social housing in British Columbia. About 56 per cent of social housing is provided by the non-profit and co-operative housing sector. Almost 50 per cent of these providers are responsible for a single housing development. BC Housing is working closely with the BC Non-Profit Housing Association (BCNPHA) to ensure the sector remains robust. BC Housing and BCNPHA share common goals in working on strategies that will promote greater resource and information sharing, governance and administrative models to protect non-profit and co-operative housing for the long term.

Sound Sustainability Practices

- BC Housing is committed to reducing its environmental impact and creating healthier homes and workplaces for tenants and employees. Wherever possible, we evaluate environmental impacts while considering fiscal and operational needs by employing energy-efficiency measures and sustainable practices in our new construction projects, repair and improvements to existing buildings and day-to-day operations. BC Housing has aligned its targets for energy and greenhouse gas emission reduction with those of the Government of British Columbia and is a recognized BC Hydro Power Smart Partner.

Key Risks, Sensitivities and Risk Mitigation Strategies

BC Housing uses an enterprise-wide, risk-management approach to identify and manage risks. All key operating departments determine risks, challenges and opportunities. Risk management strategies are then employed to balance current and future market and budget pressures with timing and implementation strategies.

KEY RISKS	SENSITIVITIES	RISK MITIGATION STRATEGIES
Mortgage/ interest rate fluctuations	• a 1 per cent increase above the budgeted mortgage rate would increase housing subsidies by about $2.0 million in 2007/08 and up to $7.0 million in 2009/10	• bulk tendering of mortgages • laddered renewal dates with less than 20 per cent of portfolio renewed in a year • staggered mortgage terms • locked-in longer mortgage terms at lower interest rates • low-interest construction financing to reduce new housing capital costs, thereby reducing ongoing subsidies
Construction cost increases	• market influences – material costs, availability of skilled labour and insurance costs • $10,000 per-unit construction cost increase could equate to annual provincial subsidy increases of $1.6 million by 2009/10	• alternative procurement methods, including construction management • bundling of similar projects • eligibility rosters • alternative construction forms including modular construction
Building envelope repair cost increases	• cost estimates are subject to revision pending tear off of building envelopes and inspection of actual damage • significant cost increases and delays to repairs already planned could further delay the target completion date, resulting in more serious deterioration	• long-term repair strategies including detailed examinations of at-risk buildings • accelerated repair program • implementation of design and construction standards incorporating recommended building techniques • rigorous maintenance programs for all new and repaired projects • pre-qualified skilled and specialized contractors • cost recovery, where feasible and warranted, from parties responsible for design, construction and inspection of buildings
Lower incomes of housing tenants	• a 1 per cent reduction in family incomes would reduce tenant rent revenues by $1.4 million for both public housing and non-profit housing	• reduction in bad debts and increased recovery • revenue generation and non-profit revenue retention policy
Capital asset repairs	• aging housing buildings require significant repairs to maintain health, safety and livability	• redevelopment; pro-active and preventative maintenance programs prioritizing repairs • implementation of sustainable, comprehensive strategies that yield lower maintenance costs in the future
Higher heating costs	• a $1 increase per gigajoule in the price of natural gas would increase the budgeted estimates by approximately $1.5 million in 2007/08	• development of a retrofit strategy • implementation and installation of energy efficient equipment resulting in reduced energy consumption
Higher inflation	• a 1 per cent increase above the budgeted consumer price index would increase expenses by $0.5 million in 2007/08	• bulk purchasing for insurance, natural gas and appliances • best practices by housing providers

Alignment with Government's Goals

Among the priorities identified in the provincial government's 2006 / 07 to 2008 / 09 Service Plan is the goal to build the best system of support in Canada for persons with disabilities, those with special needs children at risk and seniors. Housing represents a critical part of this system.

BC Housing aligns its business activities with government's housing priorities and reports to the Minister of Forests and Range and Minister Responsible for Housing.

A key component of the governance framework is the *Shareholder's Letter of Expectations*. The letter describes the relationship between BC Housing and the provincial government, and mandates direction from government to BC Housing. The *Shareholder's Letter of Expectations* is designed to ensure a mutual understanding between the shareholder and BC Housing on key governance issues, corporate mandate, core services, public policy issues, strategic priorities and performance expectations.

As set out in the *Shareholder's Letter of Expectations*, BC Housing's priority is to fulfill the government's commitment to meeting the housing needs of vulnerable British Columbians.

The following chart reflects the alignment between the government's key strategic directions and BC Housing's goals and objectives.

GOVERNMENT'S STRATEGIC GOAL

Build the best system of support in Canada for persons with disabilities, those with special needs, children at risk and seniors.

SHAREHOLDER'S LETTER OF EXPECTATIONS

Within the 2006 / 07 budget confirmed for the corporation, ensure effective planning for, and management and delivery of, housing programs and services, by:

- Working in partnership with provincial health authorities, non-profit and private, local government and others to deliver the Independent Living BC program;
- Completing the *Provincial Housing Program* by 2006 / 07;
- Working with other provincial ministries and health authorities to establish long-term housing and support services to respond to the needs of homeless / at risk individuals;
- Harmonizing the federal social housing portfolio with the provincial social housing portfolio (federal devolution agreement effective April 1, 2006);
- Supporting Aboriginal capacity building in the area of housing and transferring administration of additional housing units to the Aboriginal Housing Management Association;
- Initiating comprehensive re-development plans for appropriate subsidized housing sites to further the objectives of the provincial housing strategy; and
- Improving access to, and maximizing use of, public housing for those with complex housing and health needs.

BC HOUSING'S GOALS AND OBJECTIVES

Goal:	**Respond to gaps in the housing continuum**	**Goal:**	**Provide access to appropriate housing and services for vulnerable British Columbians**
Objectives:	• Increasing housing options • Adapt existing housing to target resources to the most vulnerable	Objectives:	• Ease of access to housing • Available housing targeted to the most vulnerable
Goal:	**Protect and manage existing housing for the long term**	**Goal:**	**Organizational excellence**
Objectives:	• Maintain the quality of existing assets • Adequate provision for future requirements	Objectives:	• Financial and operating success • High level of employee engagement

PERFORMANCE MEASUREMENT FRAMEWORK

2007/2008 Performance Measurement Framework

We are focused on ensuring alignment with a few critical aspects of our performance; continually strengthening our reporting and measurement framework; and establishing strong linkages with government's key strategies. BC Housing's Performance Measurement Framework (PMF) is structured around four goals. Included in this section is a discussion of the objectives and strategies employed to reach each goal. The key measures allow us to monitor and report results. Also discussed is the importance of the new Provincial Housing Strategy – *Housing Matters BC*, and the role that it plays in shaping the PMF that constitutes this section.

LINKING GOALS AND RESULTS

GOVERNMENT'S STRATEGIC GOAL

Build the best system of support in Canada for persons with disabilities, those with special needs, children at risk and seniors.

Core Business Areas	Goals	Objectives	Measures
Increasing housing options	Respond to gaps in the housing continuum	Increasing housing options	Number of new units/beds created in priority areas
			Number of new households assisted through rent assistance programs (New)
		Adapt existing housing to target resources to the most vulnerable	Number of existing units adapted to higher priority needs
Maintaining and administering existing housing	Protect and manage existing housing for the long term	Maintain the quality of existing assets	Percentage of clients reporting satisfaction with the quality and safety of their housing
			Percentage of social housing providers meeting financial and operational standards (Revised)
		Adequate provision for future requirements	Ratio of replacement reserve contributions to actual expenditures (Revised)
Providing client services	Provide access to appropriate housing and services for vulnerable British Columbians	Ease of access to housing	Percentage of nights where shelters are at full occupancy
			Percentage of new applicants reporting satisfaction with the process
		Available housing targeted to the most vulnerable	Percentage of clients belonging to priority groups
Delivering services cost-effectively	Organizational excellence	Financial and operating success	Controllable administration costs as percentage of program delivery costs
			Per-square-foot construction costs
		High level of employee engagement	Employee engagement index

Goal 1 Respond to Gaps in the Housing Continuum

Housing need can be viewed along a continuum that ranges from emergency shelters to independent housing in the private market. BC Housing plays an important role in filling gaps in this housing continuum by either adapting existing housing or creating new options to better meet the needs of priority groups.

New housing units are built under the following programs: Independent Living BC (ILBC), the Provincial Homelessness Initiative (PHI) and Community Partnership Initiatives (CPI). There are also rent assistance programs that make it more affordable to live in the private market. Through working in partnership with all levels of government and other key stakeholders, we can facilitate an expanded range of housing options for those in need.

Within the context of this goal, we have three specific strategies:

1. Expanding the supply of existing units through the delivery of targeted housing programs in partnership with other levels of government as well as key community and private-sector partners;
2. Providing assistance to individuals and households renting in the private market through the Province's SAFER program (Shelter Aid for Elderly Renters) and the recently announced Rental Assistance Program for low-income families; and,
3. Adapting existing buildings to target resources to the most vulnerable.

KEY PROVINCIAL HOUSING PROGRAMS AND INITIATIVES

Independent Living BC (ILBC)

A housing-for-health partnership program for seniors and people with disabilities who require some personal assistance but who do not need 24-hour facility care.

The Provincial Homelessness Initiative (PHI)

An initiative emerging from the Premier's Task Force on Homelessness, Mental Illness and Addictions that works with community partners to put into place transitional and supportive housing solutions for individuals who are homeless or at risk of becoming homeless.

Community Partnership Initiatives (CPI)

Through the provision of one-time grants, access to consulting services, project development funding and construction and long-term financing, BC Housing supports the creation of additional housing without the need for ongoing operating subsidies.

Rent Assistance Programs for Families and Seniors in the Private Market

SAFER (Shelter Aid for Elderly Renters) and the government's new Rental Assistance Program provides direct financial assistance to low-income families and seniors in the private market in order to help close the gap between their rent and what they can afford to pay.

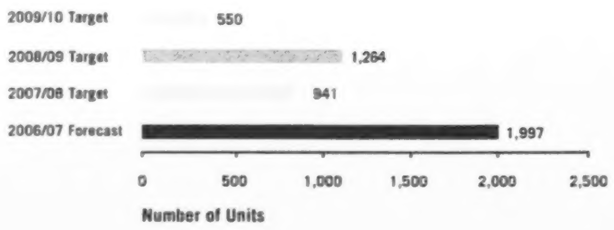
OBJECTIVE: INCREASING HOUSING OPTIONS

MEASURE: NUMBER OF NEW UNITS / BEDS CREATED IN PRIORITY AREAS

Importance of the Measure

The Province is committed to ensuring that B.C.'s most vulnerable citizens receive priority for assistance. Part of this commitment is creating new units/beds on the supportive end of the continuum of housing. For this reason, government has committed significant funding for the creation of new buildings in a cost effective manner through programs such as ILBC and PHI.

The ILBC and PHI programs add new units for priority groups such as frail seniors, Aboriginal households, persons with physical and mental disabilities as well as individuals who are homeless, many of whom are dealing with mental illness, addictions, and other challenges. The figures shown here reflect the number of units for which funding has been committed under ILBC, PHI and Aboriginal Housing Programs. As other programs and resources are added or new priorities identified, the targets will be adjusted upward.

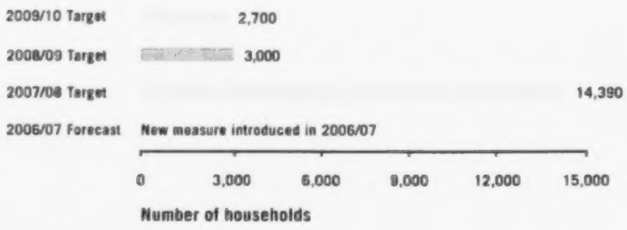


MEASURE: NUMBER OF NEW HOUSEHOLDS ASSISTED THROUGH RENT ASSISTANCE PROGRAMS

Importance of the Measure

Rent assistance programs assist families, seniors and individuals who do not have enough income to find housing in the private market. The Province funds a number of rent assistance programs including the Shelter Aid for Elderly Renters (SAFER) program, which is targeted to seniors, and the Rental Assistance Program, which is targeted to working families. The Rental Assistance Program was announced as part of the Provincial Housing Strategy in October 2006. This assistance helps to bridge the gap between what a household can afford to pay and helps to provide greater housing choices in the private market.

By the end of 2007/08, it is expected that rent assistance will be provided to more than 33,000 households. The targets reflect the number of new households that are expected to apply for assistance based on historical take-up patterns. The 2007/08 target is substantially higher than future years because of the expansion in eligibility criteria, which will bring in a significant number of new applications in 2007. Thereafter, based on historical patterns of similar programs, the volume is expected to moderate.



*This is a new measure.

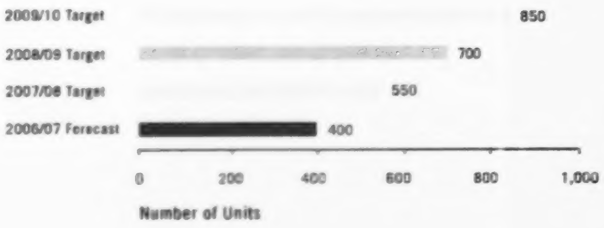
OBJECTIVE: ADAPT EXISTING HOUSING TO TARGET RESOURCES TO THE MOST VULNERABLE

MEASURE: NUMBER OF EXISTING UNITS ADAPTED TO HIGHER PRIORITY NEEDS

Importance of the Measure

The Provincial Housing Strategy stresses the importance of ensuring that those who are most vulnerable receive priority for housing assistance. One way to meet these needs is through the conversion, adaptation or re-targeting of existing social housing units. Partnerships including those with local health authorities, government ministries, local agencies and service providers are critical to achieving this measure.

The targets are based on historical data related to the number of individuals and households assisted through BC Housing's Health Service and Priority Placement programs as well as through targeted strategies and initiatives including the physical conversions of units. The targets reflect the expected availability of resources as well as past experience in finding suitable partnership opportunities in the community.



FUTURE DIRECTIONS

BC Housing will continue to target resources to those in the greatest housing need in keeping with the directions set out in the Provincial Housing Strategy – *Housing Matters BC*. This will include targeting resources to ensure that the homeless have access to stable housing with integrated support services, as well as ensuring that those who are most vulnerable receive priority for assistance.

As part of the Provincial Housing Strategy, BC Housing received funding approval for the expansion of the Independent Living BC program (ILBC) and the Provincial Homelessness Initiative (PHI). This includes a commitment for an additional 550 units for seniors under the ILBC program and 700 units of supportive housing under the PHI program for those who are homeless or at risk of becoming homeless.

Future strategies will also create new housing for better meeting the needs of Aboriginal families and individuals. BC Housing will work with the Aboriginal community to allocate funds under the Federal Aboriginal Housing Trusts to create approximately 200 new units.

Goal 2 Protect and Manage Existing Housing for the Long Term

The existing portfolio of social housing represents an important asset for addressing local housing needs. It is also an important element in achieving the government's vision of building the best system of support for people with disabilities, those with special housing needs, children at risk and seniors. Through maintaining high building and property maintenance standards, we can provide good quality housing as well as protect the taxpayers' investments in social housing. This housing also contributes to a high quality of life for residents and to the social infrastructure of local communities.

The measures set out in this section focus on our success in delivering value to our clients, our shareholder and local communities across the province through the careful management of existing resources. This is accomplished through working with the non-profit and co-operative housing sector to ensure that key financial and operating standards are met, as well as ensuring that adequate provisions are in place for meeting future building requirements.

THE CANADA – B.C. SOCIAL HOUSING AGREEMENT

On June 19, 2006, the Government of Canada and the Province of British Columbia signed the Canada – B.C. Social Housing Agreement, transferring the federal administration of the social housing portfolio to the province of British Columbia.

The transfer will:

- Help streamline and simplify administration in B.C.; and
- Allow the province to provide access to housing services through one-window delivery.

The province can use savings generated through the efficient use of federal funds to maintain existing buildings and to reinvest in housing for low-income citizens.

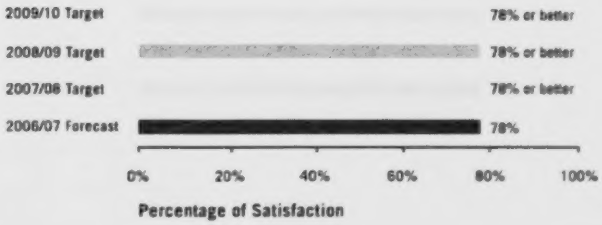
OBJECTIVE: MAINTAIN THE QUALITY OF EXISTING ASSETS

MEASURE: PERCENTAGE OF CLIENTS REPORTING SATISFACTION WITH THE QUALITY AND SAFETY OF THEIR HOUSING

Importance of the Measure

Client feedback provides assurance that existing management practices are achieving intended results. This feedback is obtained through an annual survey of tenants living in public housing and helps to ensure that tenants are receiving the services and support that they need.

The measure reports on the percentage of tenants indicating that they are either satisfied or very satisfied with their overall housing situation. The targets are based on current performance and are above the satisfaction levels reported by housing providers in other jurisdictions.



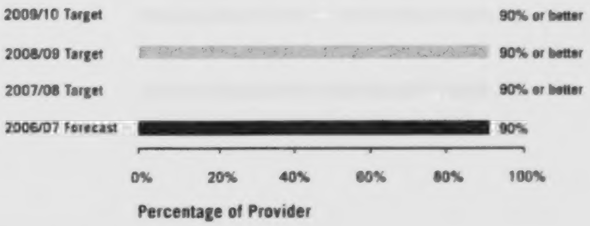
MEASURE: PERCENTAGE OF SOCIAL HOUSING PROVIDERS MEETING FINANCIAL AND OPERATIONAL STANDARDS

Importance of the Measure

This measure ensures social housing is well managed, well maintained and protected for the long-term, through regular financial and operational reviews.

The measure is based on an assessment of non-profit and co-op housing providers across five key areas including maintenance and building inspections, financial management, resident management, information and records management and human resource management. A score is assigned based on this assessment and appropriate follow-up actions are taken.

Based on existing data, 90 per cent of housing providers are meeting an acceptable standard. The high target provides assurance the housing sector continues to perform at a high standard and that problems are addressed. Where standards are not being met, a management team is put in place to assist the housing provider.



* This measure has been revised.

OBJECTIVE: ADEQUATE PROVISIONS FOR FUTURE REQUIREMENTS

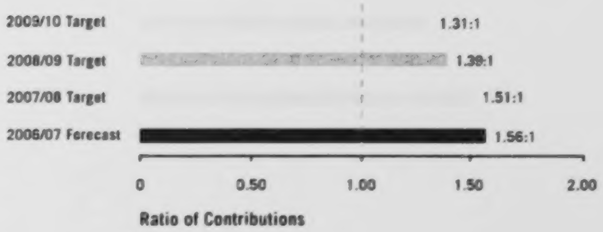
MEASURE: RATIO OF REPLACEMENT RESERVE CONTRIBUTIONS TO ACTUAL EXPENDITURES

Importance of the Measure

A replacement reserve is money set aside to refurbish or replace building components (such as roofs and appliances) that wear out over the life of a building. While the ultimate test is whether sufficient funds are available when the refurbishment is needed, an important interim test is whether sufficient money is set aside to cover a building's expected expenses over its lifetime.

The reserve contribution/expenditure ratio changes with the age of the buildings. The annual contribution stays the same, based on a life costing model, but the older the building, the more expenditure is required to maintain it. Hence, in the early life of a building, the ratio is high because contributions exceed expenditures. Similarly, as the building ages, the ratio falls and even drops below one as surplus funds are drawn down to meet the higher costs of an older building.

Historical data suggests that the ratio of 1.56:1 for 2006/07 is appropriate for the age and quality of the non-profit portfolio. The declining level to 2009/10 is also in line with our historical data, given that the buildings will continue to age.



*This measure has been revised.

FUTURE DIRECTIONS

Existing building and unit audits, as well as third party studies, suggest that the current condition of social housing buildings is adequate. As the portfolio ages, redevelopment, regeneration and retrofit initiatives may be required to optimize the use of these assets to better serve the needs of tenants.

The transfer of the administrative responsibility for the federal social housing portfolio in 2006/07 has also provided opportunities for the harmonization of existing programs designed to generate efficiencies and create additional capacity at key points along the housing continuum.

Goal 3 Provide Access to Appropriate Housing and Services for Vulnerable British Columbians

The measures related to this goal are about making a difference in the lives of vulnerable families and individuals by ensuring that limited housing resources are used as effectively as possible.

The most acute housing need can be found among low-income households that face a combination of challenges. Access to stable housing plays an important role in enabling vulnerable families and individuals to move toward self-reliance, independence and opportunity.

The existing inventory of subsidized housing plays a critical role in ensuring that vulnerable British Columbians have access to the services and supports that they need. From emergency shelters to longer-term supported living, BC Housing is committed to supporting these needs and to assisting individuals and families to move toward greater independence.

The measures under this goal focus on two key strategic objectives:

- Ease of access to housing; and,
- Ensuring that available housing resources are targeted to the most vulnerable.

This includes ensuring that individuals or households with special housing needs will be given priority access to subsidized housing as set out in the Provincial Housing Strategy.

PRIORITY ACCESS FOR SPECIAL NEEDS HOUSEHOLDS

An important policy direction of the Provincial Housing Strategy, *Housing Matters BC*, is:

- Individuals or households with special housing needs will be given priority access to subsidized housing.

We are working to ensure that this is the case by undertaking a review of the eligibility and placement process.

Three ways we are providing priority access to subsidized housing are:

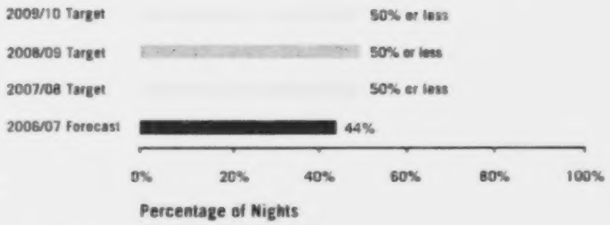
1. As a result of our Eligibility and Application Review project (ongoing), which addresses applicant and tenant needs as they relate to health and social supports;
2. Through the development of a database of physical building characteristics needed to match applicants to appropriate units; and,
3. By conducting a review of each social housing development to determine its best use and to generate plans to ensure best use.

OBJECTIVE: EASE OF ACCESS TO HOUSING

MEASURE: PERCENTAGE OF NIGHTS WHERE SHELTERS ARE AT FULL OCCUPANCY

Importance of the Measure

In setting the target for this measure, we want to ensure that shelter space is well used (i.e. high occupancy rate over the year), but also that shelters are not full to capacity, as they tend to be in the winter months, so that people must be turned away. The occupancy rate for shelter beds is 92 per cent year-round, while the number of nights where shelters were at full capacity was 44 per cent in 2006/07 and is expected to remain below 50 per cent. This target will be reviewed and refined in the coming year as more accurate information becomes available.

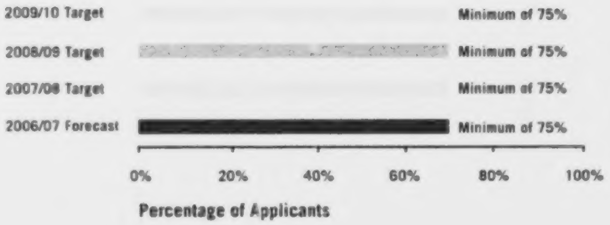


MEASURE: PERCENTAGE OF NEW APPLICANTS REPORTING SATISFACTION WITH THE PROCESS

Importance of the Measure

This measure allows BC Housing to view our success from an applicant perspective and enables us to assess the degree to which applicants are satisfied with the information and support that they receive when applying for housing assistance. It is an important customer-feedback mechanism designed to strengthen and improve our business processes.

This measure reports on the percentage of applicants indicating that they are either satisfied or very satisfied with the application process including the information that they received and the assistance provided through BC Housing. The target reflects a basic benchmark established through previous applicant feedback.



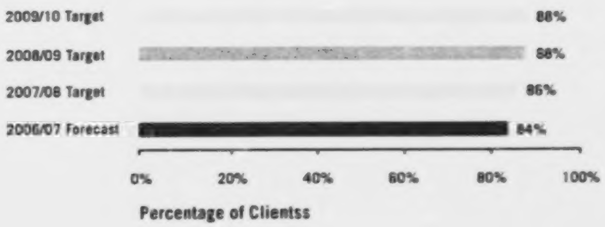
OBJECTIVE: AVAILABLE HOUSING TARGETED TO THE MOST VULNERABLE

MEASURE: PERCENTAGE OF CLIENTS BELONGING TO PRIORITY GROUPS

Importance of the Measure

Recognizing the difference that access to housing makes in the lives of vulnerable families and individuals, this measure reports the effectiveness of our current practices in allocating resources to those most in need. In keeping with the 2006/07 Provincial Housing Strategy, this measure allows us to define our success in ensuring that B.C.'s most vulnerable citizens receive priority for assistance.

The target is set to reflect the number of households that fall within one of the designated priority groups and are currently living in social housing or receiving assistance in the private rental market. The percentage of priority group clients assisted is expected to increase as existing units are adapted or converted and as new units reach completion. This is reflected in the targets which have been set.



FUTURE DIRECTIONS

Ensuring vulnerable families and individuals have access to housing and support services will continue to be an important priority. To support the key directions set out under the Provincial Housing Strategy, BC Housing is actively engaged in a process with the housing sector to review the current applicant eligibility guidelines for access to social housing.

Recognizing that access to safe and affordable housing is a critical step in helping those who are homeless, BC Housing has also engaged in a shelter capacity and program-review to be completed in 2007. In addition, resources were committed to launch a province-wide homeless outreach program to help address homelessness and to ensure that individuals who are homeless gain access to the services and supports that they need to change their situation. Implementing these strategies will represent an important area of focus going forward.

Goal 4 Organizational Excellence

Providing cost-effective solutions and value for money is central to BC Housing's success in building and maintaining a sustainable housing system.

The measures set out in this section are about ensuring that we deliver the best possible services in a cost-effective and competitive manner. This includes continuing to identify organizational and operational efficiencies, as well as ensuring that we have the appropriate structures and processes in place to control costs and manage risks.

Building on the skills, energy, talent and dedication of the staff who work at BC Housing is a central focus of this goal. We will foster a culture of innovation and learning by working to build and maintain a high level of employee engagement.

Over the past year, we have made significant investments in putting an effective "People Strategy" in place across the Commission. The implementation of this strategy plays an important role in our success in recruiting and retaining skilled, creative and committed employees, both today and for the future.

PEOPLE STRATEGY

BC Housing conducted an employee engagement survey to measure staff perceptions related to:

- Leadership;
- Learning and growth;
- Recognition;
- Communication; and
- Alignment with key strategic directions.

Major elements of the People Strategy:

- Organizational structure review;
- Recruitment and succession plan;
- Performance management;
- Leadership development; and
- Learning and growth opportunities.

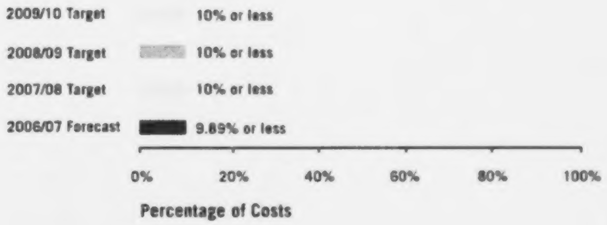
OBJECTIVE: FINANCIAL AND OPERATING SUCCESS

MEASURE: CONTROLLABLE ADMINISTRATION COSTS AS A PERCENTAGE OF PROGRAM DELIVERY COSTS

Importance of the Measure

This measure is a standard financial measure that assesses the efficiency of BC Housing's management practices by comparing the percentage of controllable administration costs to program delivery costs. The results are benchmarked against the performance of housing providers in other jurisdictions.

A benchmarking study completed in 2006/07 showed that BC Housing had one of the lowest cost profiles across all organizations involved in the study. The targets are set to ensure that BC Housing continues to maintain this level of performance.



MEASURE: PER-SQUARE-FOOT CONSTRUCTION COSTS

Importance of the Measure

This measure benchmarks the per-square-foot construction cost of new housing developments with comparable developments in the private sector. This is an important measure of the cost-effectiveness of our development practices. The targets ensure that BC Housing is achieving costs that are comparable with the market and demonstrate value-for-money.

The challenges related to new supply programs include rising construction costs, which are up by more than 40 per cent over the last four years. The cost drivers include significant increases in the cost of materials and skilled labour shortages, resulting in both increased labour costs and delays in project completion.

2009/10 Target	Within ±5% of the private sector benchmark
2008/09 Target	Within ±5% of the private sector benchmark
2007/08 Target	Within ±5% of the private sector benchmark
2006/07 Forecast	Within 2.72% of the private sector benchmark

OBJECTIVE: HIGH LEVEL OF EMPLOYEE ENGAGEMENT

MEASURE: EMPLOYEE ENGAGEMENT INDEX

Importance of the Measure

BC Housing recognizes the critical role that its employees play in its organizational success. Greater employee engagement fosters an environment where both the business objectives as well as the personal aspirations of employees are met. By focusing on employee engagement, it is possible to create a working environment which values creativity and innovation, while also remaining committed to organizational excellence and service.

The measure is based on an annual survey that gathers feedback from staff on different aspects of their work environment. The survey is designed to gauge the extent to which BC Housing has been successful in building a culture of employee engagement and to identify opportunities for improvement. Results are benchmarked with other employers through the use of standard industry survey instruments. In May 2005, 365 staff (60 per cent) participated in a survey, the results of which placed BC Housing in the top quartile of comparable employers. The target is set to ensure that employee engagement continues to be an important focus within the organization and is supported by the development and implementation of a multi-year Human Resources Plan.

2009/10 Target	Top quartile of benchmark employers
2008/09 Target	Top quartile of benchmark employers
2007/08 Target	Top quartile of benchmark employers
2006/07 Forecast	Top quartile of benchmark employers

FUTURE DIRECTIONS

BC Housing's focus is on customer service, organizational excellence and innovation in order to deliver on the government's commitment to vulnerable British Columbians. The implementation of BC Housing's multi-year Human Resources Plan is an important element towards realizing this vision. This includes working to promote a culture of learning and innovation, as well as building and maintaining a high level of employee engagement.

Looking for new and better ways to use existing housing buildings, control costs and streamline and improve program administration are also important parts of this goal. Central to these strategies are innovations in research and information technology that support continuous business improvement.

FINANCIAL OVERVIEW

Summary Financial Outlook

The following table reflects the financial projections for the planning period including funding contributions from other partners. The 2007 / 08 budgeted allocation is 461 full-time employees (FTEs)[1].

SUMMARY OF FINANCIAL RESULTS AND BUDGET PROJECTIONS – 2001 / 02 to 2009 / 10

(in thousands of dollars)

	2001 / 02 ACTUAL	2002 / 03 ACTUAL	2003 / 04 ACTUAL	2004 / 05 ACTUAL	2005 / 06 ACTUAL	2006 / 07 BUDGET	2007 / 08 FORECAST	2008 / 09 FORECAST	2009 / 10 FORECAST
Revenues									
Provincial Share *	138,755	141,237	151,365	157,831	200,274	277,543	328,271	346,406	291,644
Federal Share	82,161	84,676	91,498	90,237	102,904	139,984	139,755	139,056	138,577
Other **	38,903	37,317	35,897	35,703	39,944	35,545	37,078	37,747	38,430
Total Revenues	259,819	263,230	278,760	283,771	343,122	453,072	505,104	523,209	468,651
Expenditures									
Non Profit & Co-operative Housing	159,435	164,422	179,753	183,505	217,550	318,533	317,769	322,961	273,773
Public Housing	51,907	51,549	52,870	55,033	68,287	58,391	65,700	75,172	66,662
Rent Supplement Assistance	27,486	26,390	25,919	24,571	25,457	47,840	89,013	92,044	93,747
Administration	20,662	20,829	20,146	20,595	31,760	28,308	32,622	33,032	34,469
	259,490	263,190	278,688	283,704	343,054	453,072	505,104	523,209	468,651
Excess of revenue over expenditures	329	40	72	67	68	-	-	-	-

* In 2007 / 08 this includes funding of $329.6 million provided directly by the provincial government to BC Housing, plus $8.7 million provincial funding through other partnering ministries.

** This includes tenant rent and revenue from other sources.

BC Housing's provincial budget increased by 39 per cent or $77.3 million in 2006 / 07 due to the full-year effect of the transfer of the administration of the Emergency Shelter Program, enhancements to the SAFER program and the new housing units completed under the Independent Living BC (ILBC) and Provincial Homelessness Initiative (PHI) programs, and flow of the Affordable Housing Trust funds. In 2007 / 08 , BC Housing's total budget will increase by a further 11 per cent or $52 million. This increase is mainly the result of:

- The introduction of the Rental Assistance Program for low-income families, which adds $28.6 million;
- Enhancements to the Emergency Shelter Program, which add $8.4 million;
- The introduction of the Home Support Ready program, which adds $6.1 million;
- New housing units completed under the ILBC and PHI programs, the impact of inflationary-cost pressures, the flow of the Affordable Housing Trusts and other programs, which adds $18.9 million.

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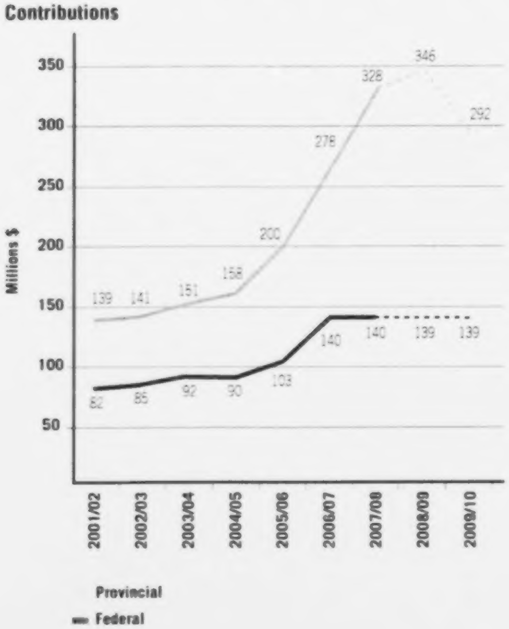
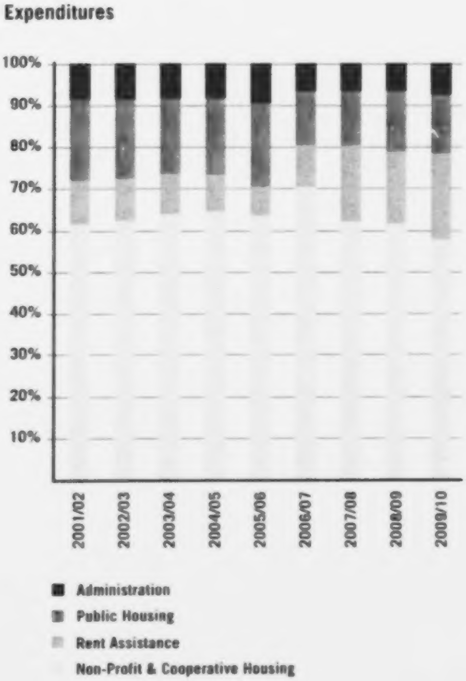
[1] This has increased to reflect additional staffing related to the transfer of administrative responsibility for the federal housing portfolio; the transfer of administrative responsibility for provincial emergency shelters; the doubling of the SAFER program; the increased volume of construction activity; and the introduction of the Rental Assistance Program for low-income families.

BC Housing's total approved budget of $515.1 million in 2007/08 is the largest housing budget in the province's history and represents a 98 per cent increase ($255.3 million) since 2001/02. The provincial share of BC Housing's budget has more than doubled over that same period.

Contributions of $156.9 million under the federal Affordable Housing Trust Agreement will be fully expended on the creation of new social housing by the end of the current planning cycle.

The federal government is expected to contribute up to $140 million in 2007/08, which comprises about 27 per cent of total revenues. Federal funding is expected to gradually decline over time as building-envelope remediation projects are completed and buildings under the older programs become fully amortized.





BC Housing has also developed a number of strategies to manage expenditure growth, contain costs and maximize the effect of its programs. Strengthened partnerships for new developments and streamlined program delivery, including subsidy administration, will ensure BC Housing continues to meet its mandate in a cost-effective manner. Other cost-saving strategies include continued reductions in administration expenses and overhead, and risk-management strategies.

Although BC Housing's programs, housing units under administration and budgets are all increasing, the growth in administration costs is being controlled to ensure that BC Housing stays efficient (see chart above). This chart also illustrates that over the 2001 to 2010 period, as rent assistance and non-profit subsidies are taking an increasing percentage of the housing budget.

BC Housing's 2007/08 Business Overview

The following provides an overview of BC Housing's key activities and expected results for 2007/08, followed by a discussion of expenses and revenue sources.

BUSINESS OVERVIEW – 2007/08

Funding	Program Expenditures	Service Allocation	Households Served
Provincial Government $329.6 M	Emergency Shelter and Housing for the Homeless $83.7 M	Emergency Shelter and Housing for the Homeless 3,820 units	Homeless 3,820 households
Federal Government $139.8 M	Transitional Supported and Assisted Living $96.2 M	Transitional Supported and Assisted Living 17,930 units	Special Needs 14,610 households
Tenant Rent $29.2 M	Independent Social Housing $260.2 M	Independent Social Housing 43,760 units	Aboriginal Individuals and Families 3,200 households
Provincial Partnering Ministries $8.7 M	Rent Assistance in the Private Market $75.0 M	Rent Assistance in the Private Market 33,160 units	Seniors 45,100 households
Other $7.8 M			Low-income Families 31,940 households
Total Revenues $515.1 M	Total Expenses $515.1 M	Total Units 98,670	Total Households Served 98,670

BC Housing remains committed to providing affordable, safe, quality housing to B.C.'s most vulnerable citizens. In 2007/08, $515.1 million will be spent on developing, maintaining and managing 98,670 housing units through a variety of program options. Approximately 35 per cent of funding ($179.9 million in 2007/08) is allocated to non-profit and co-operative housing providers that operate emergency shelters and housing for the homeless, vulnerable individuals and frail seniors. Almost 50 per cent ($260.2 million in 2007/08) of funding is allocated to fund project for individuals and low income families living in independent social housing, and 15 per cent is allocated to rent assistance ($75 million in 2007/08) for individuals and families renting in the private market. Provincial and federal governments are expected to contribute nearly $478.1 million of the required funding. Tenant rent and other revenues are expected to reach $37 million in 2007/08. This amount will increase over time as rents increase with inflation.

APPENDICES

APPENDIX A – CHANGES TO THE GOALS, OBJECTIVES, MEASURES AND TARGETS

This section outlines changes made to the goals, objectives, measures and targets when compared with the 2006/07 Service Plan. An explanation of each of the changes has been provided.

SUMMARY OF CHANGES TO THE GOALS AND OBJECTIVES

There were no changes BC Housing's goals and objectives in this Service Plan.

SUMMARY OF CHANGES TO THE MEASURES

There were three (3) changes to the measures when compared with the 2006/07 Service Plan. These changes are outlined in the table below.

Introduction of a new measure under Goal 1

– *Number of New Households Assisted through Rent Assistance Programs (New)*

Rent assistance programs represent an important element in the government's housing strategy. To reflect the importance of these initiatives, this measure was added to BC Housing's 2007/08 performance measurement framework.

Revisions to two measures under Goal 2 – Protect and Manage Existing Housing for the Long Term

Percentage of Social Housing Providers Meeting Financial and Operational Standards replaces the measure related to *The Percentage of Social Housing Developments Meeting "Best Management" Practices.*

Ratio of Replacement Reserve Contributions to Actual Expenditures replaces the measure related to *Developments with Adequate Replacement Reserve Plans.*

The intent of both of these measures remains the same – to confirm that the housing that is provided is well managed and well maintained and that adequate provisions are in place for future requirements.

However, refinements have been made to the methodology used to track and report on results based on an external review process initiated in 2006/07.

In both cases, the revised measures are intended to provide a more direct and meaningful measure for reporting purposes.

SUMMARY OF CHANGES TO TARGETS

There were changes made to four of the targets when compared to the 2006/07 Service Plan. These changes are outlined below.

GOAL 1 NUMBER OF NEW UNITS/BEDS CREATED IN PRIORITY AREAS

2006/07 Service Plan Targets

2006/07 Forecast	2007/08	2008/09
1,997	**984**	**610**

2007/08 Revised Service Plan Targets

2006/07 Forecast	2007/08 (Revised)	2008/09 (Revised)
1,997	**941**	**1,264**

The targets for this measure have been adjusted to reflect changes in the expected completion of some units. In addition, adjustments have been made to reflect the creation of additional units as part of the Provincial Housing Strategy announced in October 2006.

GOAL 1 NUMBER OF EXISTING UNITS ADAPTED TO HIGHER PRIORITY NEEDS

2006/07 Service Plan Targets

2006/07 Forecast	2007/08	2008/09
240	**265**	**290**

2007/08 Revised Service Plan Targets

2006/07 (Revised)	2007/08 (Revised)	2008/09 (Revised)
400	**550**	**700**

The targets for this measure have been adjusted upward to reflect the success of Tenant Services in identifying partnerships and in successfully housing an increasing number of vulnerable tenants. The adjusted targets also reflect new initiatives that have been identified for 2007/08 including the introduction of "home support ready" units.

GOAL 2 PERCENTAGE OF CLIENTS REPORTING SATISFACTION WITH THE QUALITY AND SAFETY OF THEIR HOUSING

2006/07 Service Plan Targets

2006/07	2007/08	2008/09
84%	**84% or better**	**84% or better**

2007/08 Revised Service Plan Targets

2006/07 Forecast	2007/08 (Revised)	2008/09 (Revised)
78%	**78%**	**78%**

The most recent trend data suggests lower levels of satisfaction. This change has been noted in the targets. As BC Housing continues to house more vulnerable clients, it is expected that satisfaction levels may continue to decrease. In response to the existing and emerging needs of our tenants, BC Housing has introduced a number of community development initiatives.

GOAL 2 PERCENTAGE OF SOCIAL HOUSING PROVIDERS MEETING FINANCIAL AND OPERATING STANDARDS

2006/07 Service Plan Targets

2006/07	2007/08	2008/09
95% or better	**95% or better**	**95% or better**

2007/08 Revised Service Plan Targets

2006/07 Forecast	2007/08 (Revised)	2008/09 (Revised)
90% or better	**90% or better**	**90% or better**

To ensure that non-profit and co-operative housing providers meet the highest financial and operating standards, during the year we conducted a review of the methodology underlying the measure to focus in on the operational review as distinct from the financial review. As a result of the data from our review we have adjusted our targets.

GOAL 3 PERCENTAGE OF NIGHTS WHERE SHELTERS ARE AT FULL OCCUPANCY

2006/07 Service Plan Targets

2006/07	2007/08	2008/09
Establish baseline	**To be determined**	**To be determined**

2007/08 Revised Service Plan Targets

2006/07 (Revised)	2007/08 (Revised)	2008/09 (Revised)
50% or less	**50% or less**	**50% or less**

Baseline data captured from November 2005 to August 2006 shows that the emergency shelters funded through the Emergency Shelter Program were at full occupancy 44 per cent of nights during the reporting period. This data was used to establish the baseline for 2006/07. BC Housing will continue to work with the shelters to identify processes and strategies to move people from shelters to permanent housing.

Appendix B – Disclosure of Key Reporting Judgments

GOAL 1 RESPOND TO GAPS IN THE HOUSING CONTINUUM

MEASURE: NUMBER OF NEW UNITS / BEDS CREATED IN PRIORITY AREAS

About the Measure

This measure reflects the number of new units or beds added at different points along the housing continuum during the reporting period.

Data Sources and Methodology

This measure reports on the number of units that have reached completion and/or are ready for occupancy during the reporting period.

Reliability of the Data

The complexity of the development process and other external factors, including changes in program or funding levels, can contribute to a result above or below the established targets. Industry trends – including interest rates, construction costs and other factors – can also influence the outcomes.

Benchmarks

Performance is benchmarked internally against past performance. No external benchmark is available.

MEASURE: NUMBER OF NEW HOUSEHOLDS ASSISTED THROUGH RENT ASSISTANCE PROGRAMS (NEW)

About the Measure

Rent assistance programs represent an important element in the government's housing strategy. This measure reports on the number of new households assisted through SAFER (Shelter Aid for Elderly Renters), Rental Assistance Program and targeted assistance for those who are homeless.

Data Sources and Methodology

Under the existing SAFER program, almost 15,600 seniors are receiving rent assistance. About 200 seniors are added to the program each month. Under the Rental Assistance Program, announced on October 3, 2006, it is anticipated that up to 15,000 households will be receiving rent assistance by the end of 2007/08. Rent assistance will be provided to 33,160 households in 2007/08.

Reliability of the Data

Information to support this measure is captured through BC Housing's reporting systems. The targets are based on an estimate of need based on population and household data from BC Stats (P.E.O.P.L.E. 31) and the 2001 Census. (Note: 2006 Census data is not yet available.)

Benchmarks

Performance is benchmarked internally against past performance. No external benchmark is available.

MEASURE: NUMBER OF EXISTING UNITS ADAPTED TO HIGHER PRIORITY NEEDS

About the Measure

This measure reports on the number of existing units which have been adapted or re-targeted to serve higher priority needs including women and children fleeing abuse, persons with mental illness or addictions-related challenges and/or other special housing needs.

Data Sources and Methodology

Individuals assisted through the BC Housing Health Services Program, the Priority Placement Program and through partnerships and initiatives established by Tenant Services during the reporting period comprise this measure. In 2007/08, this measure will also report BC Housing's success in introducing "home support ready" units as a means of promoting greater independence among frail seniors. In addition, the 2007/08 targets are also designed to reflect the expanded role of Health Services staff in the assessment and placement of tenants in available units.

Reliability of the Data

Tenant Services and Housing Operations report results quarterly. The results can vary depending on the availability of suitable units and the availability of funding for the necessary support services. Success in meeting the objectives and targets related to this measure is also dependent on BC Housing's ability to identify appropriate partnership opportunities in the community.

Benchmarks

Performance is benchmarked internally. In establishing the targets, historical data related to both the Priority Placement Program and the BC Housing Health Services Program was used.

GOAL 2 PROTECT AND MANAGE EXISTING HOUSING FOR THE LONG TERM

MEASURE: PERCENTAGE OF CLIENTS REPORTING SATISFACTION WITH THE QUALITY AND SAFETY OF THEIR HOUSING

About the Measure

This measure reports on the level of satisfaction reported by tenants living in public housing.

Data Sources and Methodology

This measure is based on an annual tenant survey and reflects the percentage of tenants indicating that they are satisfied or very satisfied in response to the question, *Overall, how satisfied are you with your housing situation?*

Reliability of the Data

Data to support this measure is collected annually and is based on the results from a survey of tenants living in housing managed by BC Housing. The survey uses a five-point scale to gather feedback from tenants on the following:

- Their overall satisfaction with their housing;
- Their satisfaction with the way their development is managed;
- Their satisfaction with the level of safety and security in their development;
- Their satisfaction with the level of cleanliness of their development; and
- The responsiveness of management to requests.

Approximately 3,000 tenants respond to the survey each year representing a 40 per cent response rate.

Benchmarks

Performance is benchmarked internally against past performance. In addition, results are compared informally to published results reported by housing providers in other jurisdictions. However, no formal external benchmarking process has been established.

MEASURE: PERCENTAGE OF SOCIAL HOUSING PROVIDERS MEETING FINANCIAL AND OPERATIONAL STANDARDS (REVISED)

About the Measure

This measure ensures that non-profit and co-op housing providers are meeting the financial and operational standards set out in their agreements. This measure also gives the assurance that the existing portfolio of social housing is well managed and well maintained for the long-term.

Data Sources and Methodology

Data to support this measure is gathered through the operational review process using a checklist/scorecard approach which evaluates provider performance across the following categories:

- Maintenance and building inspections;
- Financial management;
- Resident management;
- Information and records management; and
- Human resource management.

Reliability of the Data

The operational review process is conducted through site visits. It is designed to confirm that services are delivered in an appropriate manner and to identify potential problems before they arise. All housing providers that receive an operating budget are subject to an operational review.

The frequency of site visits can vary from one to five years, however, there are other early warning mechanisms that are used to identify societies in difficulty. In addition, the level of risk associated with the cyclical nature of the review process is relatively low given it is unusual for the risk profile of a development to change radically from one year to the next.

Benchmarks

Performance is benchmarked internally against past performance.

MEASURE: RATIO OF REPLACEMENT RESERVE CONTRIBUTIONS TO ACTUAL EXPENDITURES (REVISED)

About the Measure

This measure compares average annual replacement reserve contributions to expenditures as a means of providing reasonable assurance against future risk.

Data Sources and Methodology

This measure compares average annual contributions to expenditures based on a five-year average. Information to support this measure is collected through BC Housing's reporting systems as part of the financial review process.

Reliability of the Data

The target is set based on the 2005/06 results with current findings suggesting that sufficient funding is in place to meet future requirements. As the portfolio ages, it is expected that the ratio of contributions to expenditures will decrease with the difference being offset through existing reserve balances.

Benchmarks

Performance will be benchmarked internally against past performance.

GOAL 3 PROVIDE ACCESS TO APPROPRIATE HOUSING AND SERVICES FOR VULNERABLE BRITISH COLUMBIANS

MEASURE: PERCENTAGE OF NEW APPLICANTS REPORTING SATISFACTION WITH THE PROCESS

About the Measure

This measure ensures that applicants have access to the information and support that they need when applying for housing. The feedback received helps to strengthen and improve our business processes.

Data Sources and Methodology

Data to support this measure is captured through an applicant feedback form, which is included as part of the application process. Using a five-point scale, applicants are asked questions related to their satisfaction with:

- The information that they received when applying for housing;
- The ease and clarity of the application form;
- The helpfulness of the materials and listings provided; and
- The knowledge and helpfulness of staff.

Applicants are asked to complete the feedback form and return it with their application. Results are tracked and reported monthly.

Reliability of the Data

As of September 30, 2006, feedback was received from approximately 2,520 applicants. The overall satisfaction rating was approximately 90 per cent. This result is based on a self-administered survey. Plans are currently being developed to revise the current data collection strategy to include an independent, third-party approach for obtaining feedback.

Benchmarks

Performance is benchmarked internally against past performance. No external benchmark is available.

MEASURE: PERCENTAGE OF NIGHTS WHERE SHELTERS ARE AT FULL OCCUPANCY

About the Measure

Emergency shelters are an important point of access for moving homeless persons to the next stage in the housing continuum. This measure reports the capacity of the emergency shelter system and the percentage of nights that emergency shelters funded through BC Housing were full or over capacity.

Data Sources and Methodology

Information to support this measure is captured through monthly statistics prepared by the individual emergency shelters receiving funding support under the Emergency Shelter Program. This measure reports on the percentage of nights where the shelters funded through BC Housing reported that they were at full capacity.

Reliability of the Data

There is some variation in the data collection and reporting capacity of the shelters. This can influence the results. In addition, differences across geographic regions and client groups, as well as seasonal variations, can impact the results.

Benchmarks

Year-over-year results will be compared and analyzed. However, 2006/07 represents the first year that data is available.

MEASURE: PERCENTAGE OF CLIENTS BELONGING TO PRIORITY GROUPS

About the Measure

This measure reports on the percentage of clients belonging to one of the priority groups who are assisted through the existing inventory of subsidized housing. Priority groups include seniors, persons with physical and mental disabilities, women and children who have experienced domestic violence and those who are homeless or at risk of homelessness.

Data Sources and Methodology

This measure is calculated by taking the current inventory of subsidized housing (including public housing, non-profit and co-op housing and rent assistance in the private market) and determining the percentage of units that are currently occupied by one of the designated priority groups.

Reliability of the Data

Due to information limitations, this measure is likely under-reporting the extent to which the designated priority groups are being served. Changes to BC Housing's application process that are currently underway will help to provide better and more complete information for future reporting. In addition, the percentage of units is expected to increase as new units are completed or existing units become available through turnover.

Benchmarks

Performance is benchmarked internally against past performance. No external benchmark is available.

GOAL 4 ORGANIZATIONAL EXCELLENCE

MEASURE: CONTROLLABLE ADMINISTRATION COSTS AS A PERCENTAGE OF PROGRAM DELIVERY COSTS

About the Measure

This measure assesses the efficiency of our management practices by benchmarking year-over-year increases in BC Housing's controllable administration costs relative to program delivery costs.

Data Sources and Methodology

This is an annual measure that is based on information captured in BC Housing's audited financial statements and is reported as a percentage of total program costs.

Reliability of the Data

In 2006/07, results were benchmarked with other housing organizations through an independent, third-party review. After making adjustments to reflect differences in definitions and reporting, the review found that BC Housing had the lowest cost profile of all of the organizations involved in the study. The review also concluded that given variations in context and accounting, a year-over-year comparison within the same agency may be the most valid comparator.

Benchmarks

Costs are standardized and benchmarked against a sample of six organizations including three with a provincial/territorial mandate and three with municipal contexts.

MEASURE: PER-SQUARE-FOOT CONSTRUCTION COSTS

About the Measure

This measure compares per-square-foot construction costs for housing developed under BC Housing programs with comparable developments in the private market. Data captured through this measure allows BC Housing to compare costs and trends over time and demonstrate that value for money is achieved.

Data Sources and Methodology

This measure relies on the expertise provided through a construction-cost consulting firm to analyze the degree of variance between the per-square-foot construction costs for non-profit developments compared to comparable private-market developments. Adjustments are made to reflect the design standards and requirements that in some cases exceed the standards and features provided in private-market developments. Comparisons are then made with published construction-cost data to determine the degree of variance.

Reliability of the Data

In many cases, the types of developments constructed through BC Housing's programs include a combination of services and amenities that make it difficult to make direct comparisons with the private market. In addition, the development process typically involves competing requirements that can influence the outcomes. This can make it difficult to get reliable comparisons with differences in time, location, building form, unit mix, amenities, scale, efficiency and quality. These all have an impact on the results that are achieved. The proposed methodology relies on the use of independent external verification and a quantity survey and cost measure approach to addressing the limitations. Results are also triangulated against standard industry measures and cost data.

Benchmarks

Costs are standardized and benchmarked against a sample of private-market buildings and industry cost data.

MEASURE: EMPLOYEE ENGAGEMENT INDEX

About the Measure

This measure reports the level of employee engagement based on results from an annual staff survey.

Data Sources and Methodology

The survey instrument seeks to obtain staff feedback on the following:

- Clarity about what is expected;
- Having the right materials, tools and equipment;
- Having a good relationship with one's manager/supervisor;
- Having received positive recognition for work in the past month;
- Having the ability to use skills and talents to make a contribution;
- Having a sense of alignment with the corporate goals and objectives;
- Having clarity about how their work contributes to the broader goals and objectives;
- Having input into decisions that have personal impact;
- Having feedback on progress; and,
- Having access to learning opportunities.

Reliability of the Data

Baseline data was gathered through a Commission-wide survey initiated in spring 2005 with the follow-up survey being planned for early 2007. The survey was self-administered online with results being analyzed by an external research firm. Approximately 60 per cent of staff across the Commission participated in the survey, helping to provide a high degree of confidence in the findings.

Benchmarks

Comparisons are made with a cross-section of large and mid-size public- and private-sector companies to benchmark performance. The database contains more than 10,000 responses from across different public- and private-sector organizations.

GLOSSARY

Assisted Living: Assisted living units are self-contained apartments for seniors or people with disabilities who need some support services to continue living independently, but do not need 24-hour facility care. Services provided include daily meals, social and recreational opportunities, assistance with medications, mobility and other care needs, a 24-hour response system and light housekeeping.

Cold Wet Weather: Cold wet weather services include shelter facilities and services that operate and/or are funded on a seasonal basis. Shelters add cold wet weather beds (seasonal beds and mats) to provide the option of a warm, dry place to sleep for people who are homeless as winter weather sets in and the need increases. There are also emergency shelter facilities that are open during the winter months.

Co-Operative Housing: A housing development in which individual residents own a share in the co-operative. This share grants them equal access to common areas, voting rights, occupancy of an apartment or townhouse as if they were owners and the right to vote for board members to manage the co-operative. Each member has one vote and members work together to keep their housing well-managed and affordable.

Core Housing Need: Households in core housing need are those individuals who currently reside in housing that is either in need of major repair, does not have enough bedrooms for the size and makeup of the household, or costs 30 per cent or more of their total income, and who are unable to rent an alternative housing unit that meets these standards without paying 30 per cent or more of their income.

Emergency Shelter: Short-stay housing of 30 days or less. Emergency shelters provide single or shared bedrooms or dorm-type sleeping arrangements, with varying levels of support to individuals.

Group Home: A small, community-based development, usually under 10 beds/units, that provides affordable housing with supports to those with special needs including individuals with severe mental and physical disabilities and youth and women with their children fleeing abuse. BC Housing provides administration and property management support for group homes on behalf of other provincial ministries and health authorities.

Housing Providers: Non-profit housing societies and housing co-operatives that own and manage subsidized housing developments. This term can also include private-market landlords through whom BC Housing provides rent assistance to low-income households.

NIMBY: (Not-In-My-Back-Yard) Community opposition to new social housing developments based upon fear, assumptions and stereotypes that some people may harbour about the individuals that will live in these developments.

Non-Profit Housing: Rental housing that is owned and operated by community-based, non-profit societies. The mandates of these societies are to provide safe, secure, affordable accommodation to households with low to moderate incomes. Most non-profit housing societies receive some form of financial assistance from government to enable them to offer affordable rents. Each society operates independently under the direction of a volunteer board of directors.

Operating Budget: The annual budget for a non-profit or co-operative housing development. The budget forecasts the costs of operating a development, based on income and expenses, and is used to determine the subsidy level BC Housing provides each month to run the building.

Public Housing: Housing that is jointly funded by the provincial and federal governments and predominantly managed by BC Housing. Most of these developments were constructed in the 1950s and 1960s.

Rent Assistance: Rent supplement agreements with private landlords as well as housing allowances paid directly to households in the private market.

Social Housing: Includes both public housing and housing that is owned and managed by non-profit and co-operative housing providers.

Subsidized Housing: Encompasses all types of housing for which the provincial government provides a subsidy or rent assistance, including public, non-profit and co-operative housing, as well as rent assistance for people living in private-market housing. It also includes emergency housing and short-term shelters.

Subsidy: BC Housing provides monthly subsidies to organizations to fund the costs of operating subsidized-housing units. The subsidy is based on the operating costs set out in the annual budget, less the total rents/housing charges collected from tenants. Subsidy payments include rent subsidies/repayable assistance and cover the mortgage payments, building maintenance and other shelter-related costs.

Supportive Housing: Housing that provides ongoing supports and services to residents who cannot live independently and are not expected to become fully self-sufficient.

The Housing Registry: Centralized database of applicants' information and housing providers coordinated by BC Housing. It allows individuals to apply for housing with multiple service providers using one application form.

Transitional Housing: Housing that is provided for a minimum of 30 days and up to two or three years, which includes the provision of on- or off-site support services to help people move towards independence and self-sufficiency. Transitional housing is often called second-stage housing and includes housing for women with their children fleeing abuse.

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BC Hydro Service Plan
2007/08 to 2009/10

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Letter from the Chair to the Minister

Larry Bell

The Honourable Richard Neufeld
Minister of Energy, Mines and Petroleum Resources

Dear Minister:

On behalf of the Board of Directors and employees of BC Hydro, I am pleased to submit BC Hydro's Service Plan for fiscal years 2007/08 to 2009/10.

This plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. The Board is accountable for the contents of the Service Plan, including the selection of performance measures and targets, and for ensuring that BC Hydro achieves the specific goals and strategies identified in it. The plan is consistent with the government's strategic priorities and Strategic Plan, and takes into account all significant assumptions, policy decisions and identified risks as of January 2007. The performance targets in this plan have been determined based on an assessment of BC Hydro's operating environment, forecast conditions, risk assessment and past performance.

A key highlight for BC Hydro over the past year was submitting our *2006 Integrated Electricity Plan* to the BC Utilities Commission in March 2006. This plan outlines how we intend to meet our customers' electricity needs over the next 20 years. It identifies an emerging gap between domestic electricity supply and demand, and outlines how BC Hydro intends to fill this gap in order to ensure electricity self-sufficiency for British Columbia within the next decade. We launched a public awareness campaign in fall 2006 to reiterate this as our long-term goal and inform British Columbians about our challenges.

Using the *2006 Integrated Electricity Plan* as the roadmap, we intend to increase our focus on conservation, invest more in our heritage assets and secure new sources of supply. These strategies and related projects are highlighted throughout this Service Plan. When the upcoming provincial Energy Plan is released, we will ensure these strategies and projects are in alignment.

Also in 2006, we filed our *Revenue Requirements Application*, which forecasts the cost of operating our business and the corresponding rate increases required for fiscal years 2007 and 2008. Together with our customer and stakeholder representatives, we achieved a major success in negotiating a settlement to this application without the need for a protracted public hearing.

As this Service Plan demonstrates, BC Hydro is dedicated to ensuring a clean, renewable, abundant and self-sufficient supply of electricity for British Columbia that will, in turn, help to support our province's long-term economic prosperity and quality of life for all British Columbians.

Yours truly,

L. I. (Larry) Bell
Chair

Message from the President and Chief Executive Officer

Bob Elton

For generations, British Columbians have been able to count on BC Hydro for reliable, low cost electricity. In the 4th quarter of 2006, British Columbia experienced a series of massive storms that caused significant damage to BC Hydro's distribution and transmission system, resulting in extensive power outages to thousands of homes and businesses. Employees of BC Hydro, working together with BCTC, Accenture, and contractors worked tirelessly, without compromising safety, to ensure timely restoration of service to all our customers. We are currently conducting a complete review of our storm performance to identify improvements that will be shared with our shareholders and the public.

In last year's Service Plan, we re-aligned our performance measures and targets to reflect our key priorities. These five short-term priorities remain the same in this year's plan: to increase safety, improve reliability (both for customers and of supply), meet our financial targets, increase customer satisfaction and develop our people. This year's Service Plan also includes the specific strategies, performance measures and targets we have used to evaluate our performance for each of these priorities.

BC Hydro's recent accomplishments bode well for the future. Our focus on safety is starting to show positive results. The number and severity of incidents is on the decline, and we were able to maintain the trend despite the recent storm season that put both the public and our employees at risk. BC Hydro has also made significant progress with First Nations on agreements related to major capital projects, on negotiations related to past activities, and in introducing procurement, employment and education strategies to support Aboriginal development and participation. Through our 2006 Open Call for Power, we secured over 7,000 GWh of energy per year from the private sector and are already planning for our next call. At the same time, our aggressive conservation targets, which will enable us to reduce our energy requirements, are on track. We have succeeded in developing conservation and demand-side management programs that will play a key role in helping to close the electricity gap in the years to come.

As for the future, like other utilities, we are faced with an aging workforce in a tight labour market and must focus on attracting and retaining skilled, motivated and committed employees. We must also contend with growing customer demand and aging infrastructure. In order to meet electricity requirements and maintain our high levels of reliability, we anticipate capital spending of approximately $1 billion or more per year to fund necessary maintenance and expansion.

Safety and security – both for the public and our employees – will continue to be of high importance and concern. Our short-term safety priority is to be a top three performer among comparable utilities in Canada. This requires us to pay intense attention to improving safety skills and behaviours both within and outside of our workplace.

We remain committed to operating BC Hydro under the principles of sustainability, and to making financial, environmental and social considerations an integral part of our decision making. As this Service Plan indicates, we will continue to work on our longer-term goals – as well as our five short-term priorities – to create the conditions required to implement our *2006 Integrated Electricity Plan* and the provincial energy policy, and to help make our province electricity self-sufficient within the next decade.

Bob Elton

President and Chief Executive Officer

Executive Summary

BC Hydro's 2007/08 – 2009/10 Service Plan is prepared in accordance with the *Budget Transparency and Accountability Act*.

The plan outlines the business environment in which our company operates and defines our short-term priorities for the next three years. It also discusses the risks we face today and in the future, and the measures and targets we – along with the public, the shareholder (the Province of British Columbia), the regulator (the British Columbia Utilities Commission or BCUC) and all other stakeholders – can use to evaluate our performance.

BC Hydro

BC Hydro's purpose is to provide "Reliable Power, at Low Cost, for Generations."

We are the largest electric utility in British Columbia, serving over 1.7 million customer accounts. Our dams and generating facilities are part of the province's heritage. British Columbia's electricity sector also includes private-sector power producers, a number of which operate in the province under contract to us and supplement the electricity generated by BC Hydro.

BC Hydro operates under the *Hydro and Power Authority Act*, the *Utilities Commission Act* and the *BC Hydro Public Power Legacy and Heritage Contract Act*. We are governed by a Board of Directors. The Board chair reports directly to the Minister of Energy, Mines and Petroleum Resources. A Shareholder's Letter of Expectations describes the working relationship and mandate direction from government, is reviewed annually and updated as required.

We have integrated the government's direction into our long-term goals and short-term priorities, strategies and plans. This includes acting on all 14 BC Hydro related items in the provincial Energy Plan, released in 2002 as *Energy for Our Future: A Plan for B.C.* We continue to act on seven of those items as part of our ongoing business activities (details were provided in last year's Service Plan). The updated Energy Plan was not available in time for BC Hydro to consider the implications of the new plan for our company. This will be addressed in next year's Service Plan.

Our Structure

BC Hydro operates as one integrated company, structured into inter-dependent business groups. On May 31, 2006, we announced organizational changes in our business structure to better align BC Hydro's business model to deliver on our five short-term priorities (see next page) and to promote improved coordination between business functions. The new structure consists of operational business groups, a corporate function and two primary operating subsidiaries, Powerex and Powertech.

Our Challenges

BC Hydro recognizes that continuing to fulfil our purpose over the next 20 years will not be easy.

By virtue of BC Hydro's heritage assets and geographical location, we have delivered predominantly clean, low-cost electricity to British Columbians for decades. However, the demand for electricity is increasing and we see an emerging gap between our domestic electricity supply and what is required by our customers. Planning now to close this gap is critical to ensuring that future generations of British Columbians can enjoy the same benefits of low-cost, reliable power that we do today.

In addition, our assets are aging and many need to be upgraded or replaced. It is also becoming increasingly difficult to find qualified and experienced employees to maintain and operate the electric system.

We need to address and improve the safety of both our employees and the public from hazards associated with our facilities and our product, and make sure we are fully prepared to deal with the threats of natural disasters, pandemics and even terrorism. Finally, we must continue to develop innovative solutions to outstanding issues and build ongoing relationships with First Nations, based on mutual respect, as well as to find new and better ways to operate that maintain our strong record of responsible and sustainable practices.

Executive Summary

Our Commitment

We are committed to working with individual British Columbians, with our customers, the British Columbia government, First Nations and all other stakeholders to come to grips with the most pressing challenges of the future.

Above all, our central objectives, in alignment with the Lieutenant Governor's February 2006 Speech from the Throne and outlined in our *2006 Integrated Electricity Plan*, filed with the BCUC in March 2006, are to ensure self-sufficiency for British Columbia within the next 10 years and to close the emerging gap between supply and demand by:

- conserving more through increased PowerSmart activities and programs such as the Conservation Research Initiative
- buying more from independent power producers (IPPs), and
- upgrading BC Hydro's existing facilities and/or investigating new options for adding generating capability.

2006 CALL FOR POWER

Under the fiscal 2006 Open Call for Power, BC Hydro awarded 38 Electricity Purchase Agreements (EPAs) to independent power producers throughout the province. As a result of a parallel tender process, BC Hydro also awarded a contract to the Brilliant Expansion Power Corporation.

These contracts represent a broad range of energy sources, including biomass, coal-biomass, run-of-river hydro, waste heat and wind. Once developed, these projects will add approximately 1,500 MW of capacity and over 7,000 GWh of energy per year to BC Hydro's integrated system.

We are now planning for the 2007 Call for Power.

Long-Term Goals and Short-Term Priorities

BC Hydro has developed 15 long-term goals to guide our business over the next 20 years and five short-term priorities. Our long-term goals are outlined in our *2006 Annual Report* (www.bchydro.com); this Service Plan provides details about our short-term priorities.

SAFETY

Over the next three years, our aim is to improve safety performance to be one of the top three performers among comparable Canadian Electricity Association electrical utilities. We will achieve this by advancing the Safety Trend initiatives already underway, identifying and utilizing best practices, streamlining and improving operational controls (safety procedures and standards), and improving safety knowledge, skills and behaviours.

RELIABILITY (CUSTOMER AND SUPPLY)

Customer reliability means that we are able to deliver an acceptable level of uninterrupted supply of electricity to our customers. To achieve this, we are focusing on three initiatives intended to build awareness and understanding of customer requirements, to identify our customers' differing reliability needs, and to develop an asset management system to monitor the health and capability of our assets. Information gathered through this work will enable us to more effectively meet the expectations of our customers.

Reliability of supply means ensuring all the infrastructure components are in place and are operating optimally to meet customer demand. To achieve our reliability targets, we will ensure our generation assets are maintained, manage our peak load supply reliability by minimizing the amount of unit outages during the winter peak period, and advance power acquisition processes to ensure incremental supply is in place as customers' requirements continue to grow. We will also build on our long-term demand-side management activities to develop a conservation culture in British Columbia, reducing energy demand, cost and environmental impacts.

Executive Summary

FINANCIAL TARGETS

Our objectives are to deliver 100 per cent of forecast net income after regulatory account transfers on an annual basis, while maintaining low costs and achieving forecasted performance levels for electricity customers in British Columbia over the long term. For more financial information, please refer to Section 6 (Financial Targets) and Section 7 (Financial Outlook Summary) and our Quarterly and Annual Reports.

We will achieve these objectives by:

- hedging foreign exchange and interest rates risks
- managing the short-term cost of energy by optimizing decisions of buy versus generate and the long-term cost of energy through implementation of the *2006 Integrated Electricity Plan*, and
- seeking productivity gains across the company and ensuring efficient allocation of capital.

REVENUE REQUIREMENTS

In 2006, we filed our *Revenue Requirements Application* with the BCUC. It forecasts the costs of managing and operating the business and the corresponding rate increases required for fiscal 2007 and 2008.

On July 1, 2006 we introduced an interim rate increase of 4.65 per cent. In November, we reached an agreement on rate increases through a negotiated settlement process with customer and stakeholder representatives. The settlement will result in a net reduction of 1 per cent from the interim rate on February 1, 2007 and a total refund of approximately $50 million to our customers. Despite a net increase of 3.64 per cent, BC Hydro continues to provide electricity at some of the lowest rates in North America. For more details, please refer to page 10.

CUSTOMER SATISFACTION

We will improve service in high customer contact areas, including outage communication, call centre interactions, BC Hydro website content and functionality, complaint management processes and customer understanding of electricity and the services BC Hydro provides.

PEOPLE

Approximately 15 to 20 per cent of BC Hydro's current workforce is eligible to retire now and one-third is eligible to retire within the next five years. The combination of retirements and a highly competitive labour market mean that BC Hydro must work even harder to be an outstanding employer. We will implement a range of strategies to attract, train, retain and motivate the right people for the right jobs.

Financial Outlook

As our local economy and population continue to grow, the demand for electricity will rise. As a result, our revenues and return to the province are expected to increase. Our challenge and goal is to manage the related growth in costs so that we can continue to offer low-cost electricity.

Our most significant costs are the costs of energy and investments related to maintaining our aging assets and expanding our system to keep pace with rising customer demand. We anticipate capital expenditures of approximately $1 billion in fiscal 2008, increasing to $1.4 billion per year to increase and sustain our assets.

Financial performance focuses on the financial return to BC Hydro's shareholder and the electricity rates paid by customers. The economic value BC Hydro generates for the province will continue to benefit customers and everyone in the province.

Conclusion

BC Hydro is making significant strides in closing the emerging gap between supply and demand and in delivering a service to British Columbians that is environmentally, socially and fiscally responsible.

All British Columbians – customers, First Nations, stakeholders, the shareholder and the regulator – will play a role in BC Hydro's future and in making sure that we create a lasting legacy of reliable power, at low cost, for generations.

1. Introduction

BC Hydro's 2007/08 to 2009/10 Service Plan is prepared in accordance with the *Budget Transparency and Accountability Act*.

This plan outlines the business environment in which our company operates and defines our long-term goals and short-term priorities for the next three years. It also discusses the risks we face today and in the future, and the measures and targets we currently use to evaluate our performance. Specifically:

- Section 2 of this Service Plan provides an overview of BC Hydro's mandate, our purpose, values, operations and system.
- Section 3 describes BC Hydro's organizational structure and our recent re-organization, along with details about our subsidiaries, suppliers and governance structure.
- Section 4 sets the strategic context in which BC Hydro operates today and expects to operate in the future. This includes an overview of BC Hydro's operating environment as well as internal and external risks and opportunities that could affect our planning and performance.
- Section 5 outlines the company's long-term goals and describes our priorities for the next three years.
- Section 6 outlines BC Hydro's strategies, performance measures and targets.
- Section 7 summarizes the financial outlook and key financial assumptions made for this 2007/08 to 2009/10 Service Plan.
- Section 8 illustrates how BC Hydro is aligned with the government's Strategic Plan.
- Section 9 offers our conclusion to this plan. It is followed by an Appendix with details about our subsidiaries.

2. Business Overview

Mandate

BC Hydro, established under the *Hydro and Power Authority Act*, is a provincial Crown corporation and one of the largest electric utilities in Canada. BC Hydro's mandate is to generate, purchase, distribute and sell power.

BC Hydro is regulated by the British Columbia Utilities Commission (BCUC). The BCUC's mandate, under the *Utilities Commission Act*, is to ensure that BC Hydro operates in the best interests of our customers while providing a fair return to the shareholder, the Province of British Columbia.

Purpose

BC Hydro's purpose is to provide "Reliable Power, at Low Cost, for Generations." This purpose provides the context for all of our business decisions.

- "Reliable Power" means that BC Hydro maintains sufficient energy supply and the capability to safely deliver it to customers when it is needed.
- "Low Cost" means that our operations are at the forefront of business success. By being fiscally prudent, and always considering environmental and social costs, BC Hydro will maintain a legacy of low-cost operations over the long-term for our customers.
- "For Generations" confirms BC Hydro's commitment to sustainability in managing our business. This means making long-term decisions and, when necessary, balancing trade-offs along the environmental, social and financial bottom lines.

Values

BC Hydro has five core values that are essential to our success:

- Accountability – we are responsible for our actions and outcomes.
- Integrity – we are fair and honest, open and straightforward.
- Safety – we integrate safety into everything we do.
- Service – we serve others, both internally and externally.
- Teamwork – we work together to achieve our purpose and long-term goals.

Our Director and Employee Code of Conduct works in conjunction with these core values by providing clear guidelines to directors and employees on the standards of conduct expected of them in all business relationships.

Business Overview

Our System

BC Hydro is one of North America's leading providers of clean, renewable hydroelectric power and has been an important part of British Columbia's development. The *BC Hydro Public Power Legacy and Heritage Contract Act* preserves public ownership of our existing, low-cost electricity assets for British Columbians.

BC Hydro owns 33 generating facilities. Our 30 hydroelectric facilities are located mainly on the coast, and on the Peace and Columbia River systems and provide about 90 per cent of the total electricity BC Hydro generates each year (between 43,000 and 54,000 gigawatt hours of electricity). BC Hydro's three thermal power plants contribute the remaining 10 per cent. Together, our thermal and hydroelectric facilities provide an installed capacity of approximately 11,300 megawatts (MW).

To supplement the electricity we generate and to meet increasing customer demand, we purchase electricity from domestic independent power producers (IPPs) and wholesale markets. Market purchases are made through Powerex, our power marketing and trading business (see the Appendix for more information on Powerex).

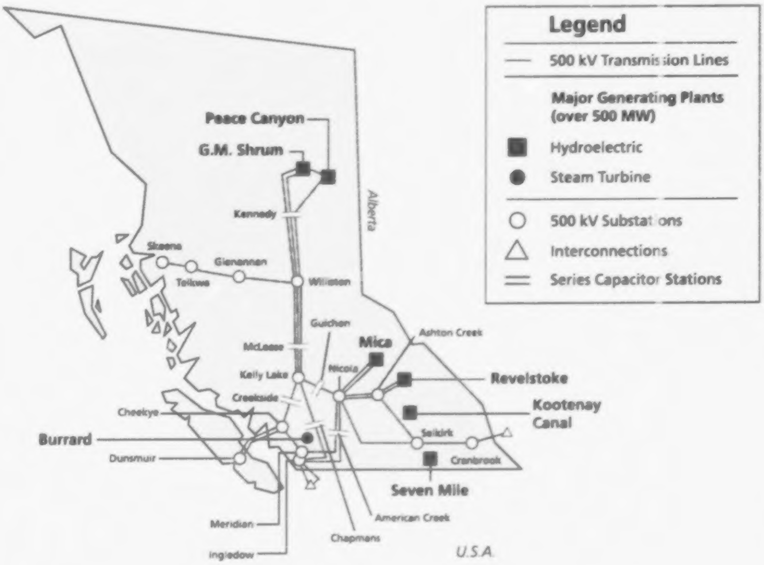
Electricity is delivered to our customers – at some of the lowest rates in North America – through an interconnected system that includes approximately 74,000 kilometres of transmission and distribution lines, 284 switching and transformation substations and five control centres.

BC Hydro also serves 17 communities, situated in non-integrated areas (NIAs), which are not connected to our integrated system. They are typically small, remote communities, served by local generating stations owned by BC Hydro, IPPs or the communities themselves.

CAPACITY AND ENERGY DEFINED

Capacity (or peak) refers to the maximum sustainable amount of energy that can be supplied or carried at any instant. It is measured in watts. Peak demand on the electrical system, for instance, is measured in megawatts (MW), or millions of watts.

Energy is how much electricity is used or produced over a period of time. It is measured in watt-hours. As an example, the average household in BC Hydro's service area uses approximately 10,000 kWh per year.


Legend
500 kV Transmission Lines
Major Generating Plants (over 500 MW)
Hydroelectric
Steam Turbine
500 kV Substations
Interconnections
Series Capacitor Stations
Peace Canyon
G.M. Shrum
Kennedy
Alberta
Skeena
Telkwa
Glenannen
Williston
Guichon
McLeese
Mica
Ashton Creek
Kelly Lake
Nicola
Revelstoke
Creekside
Cheekye
Kootenay Canal
Burrard
Selkirk
Dunsmuir
Cranbrook
Seven Mile
American Creek
Meridian
Chapmans
Ingledow
U.S.A.

BC Hydro has corporate offices in Vancouver (Dunsmuir) and Burnaby (Edmonds), and through regional offices has a presence in more than 50 communities throughout the province.

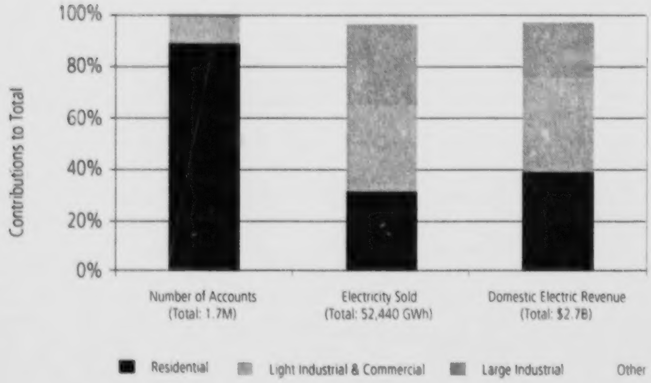
Business Overview

Customers

BC Hydro is the largest electric utility in British Columbia, operating in an area containing approximately 95 per cent of the province's population. Our employees are responsible for reliably generating and delivering electricity and providing products and services for more than 1.7 million customer accounts in British Columbia. There are other smaller, investor-owned and municipal utilities around the province that deliver electricity to local customers.

We serve a diverse domestic customer base consisting of residential, commercial and industrial customers. 89 per cent of customer accounts are on residential rates, 11 per cent of customer accounts are on general service (commercial) rates, and less than 1 per cent of customer accounts are on transmission (mostly large industrial customers) rates. Their consumption and contributions to revenue are shown below.

CUSTOMER CONTRIBUTIONS IN 2005/06



In fiscal year 2006, our domestic customers used a total of 52,440 GWh. This represented an increase of 2.4 per cent over the previous year.

Rates and Regulation

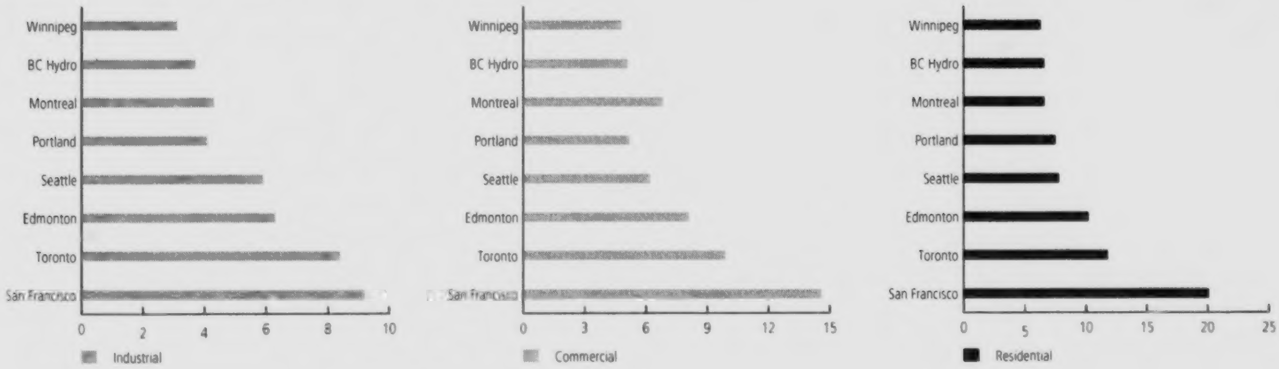
BC Hydro charges electricity rates to our domestic customers based on tariffs approved by the BCUC. Rates are set to allow us to recover all approved costs incurred in serving our customers, including earning a return on equity. Both the definition of equity and the method to determine an appropriate return on this equity are defined by a Special Direction from the British Columbia government. Our allowed return on equity has been calculated to equal, on a pre-income tax basis, that of the most comparable investor-owned utility. A Special Directive also requires annual dividend payments to the British Columbia government of 85 per cent of our net income, adjusted for capitalized finance charges and related amortization.

Rates are set through BC Hydro's *Revenue Requirements Applications* and *Rate Design Applications*. A *Revenue Requirements Application* provides justification for the revenues we expect we will need to serve our customers during a forecast test period. After a public review of the application, the BCUC determines the rate increase that BC Hydro is able to charge our ratepayers.

BC Hydro filed our *Revenue Requirements Application* for fiscal years 2007 and 2008 in May 2006 and received an interim rate increase of 4.65 per cent effective July 1, 2006. Following a negotiated settlement between BC Hydro, our customers and stakeholder representatives, the BCUC approved final rate increases of 1.54 per cent for July 1, 2006 to January 31, 2007 and a further 2.1 per cent effective February 1, 2007. Included in the 2.1 per cent increase is a 2 per cent rate rider that will be used to recover the accumulated deferral account balances that resulted largely from higher energy costs due to the low water inflows and higher than forecast market prices in fiscal years 2005 and 2006.

Customers will see a net 1 per cent reduction from the interim rate increase on February 1, 2007 and will receive a total refund of approximately $50 million in early 2007 to adjust for higher interim rates that were in place from July 1, 2006 to January 31, 2007. Even with a net rate increase of 3.64 per cent, BC Hydro still provides electricity at some of the lowest rates in North America.

Comparison of Electricity Rates (F2007)



Source: Hydro Quebec Comparison of Electricity Prices in Major North American Cities, April 2006

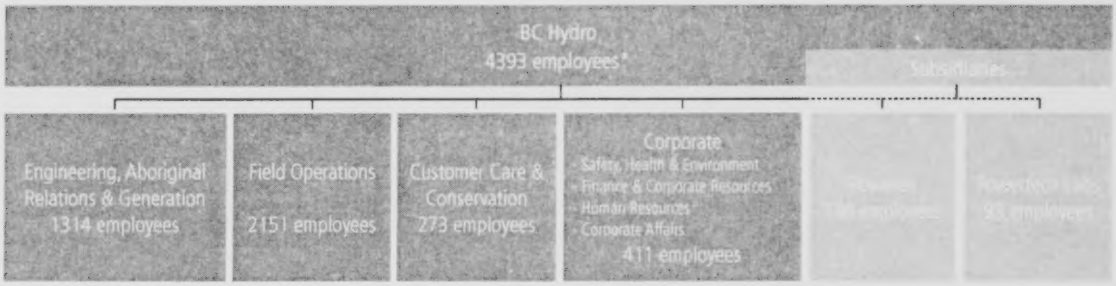
Note: BC Hydro rates adjusted to reflect net rate increase of 3.64 per cent (including a 2 per cent rate rider) effective February 1, 2007 as approved by the BCUC. Commercial rates based on 400,000 KWh consumption and 1,000 KW demand. Industrial rates based on 30,600,000 KWh consumption and 50,000 KW demand. Selection of peer comparison set based on the jurisdictions used by the BC Progress Board to assess the competitiveness of British Columbia. Winnipeg was added to this comparison because it is the only utility in the Hydro Quebec study with rates lower than those charged by BC Hydro.

We will file our next *Revenue Requirements Application* with the BCUC in late fiscal 2008.

We will file a *Rate Design Application* with the BCUC in March 2007 to ensure each customer rate class is contributing its fair share of costs. We expect the BCUC will conduct a public hearing on this application later in the year. Depending on the BCUC's final decision, certain customer rates may be affected. The implementation of any changes is proposed for April 2008.

The BCUC has agreed to a regulatory process for reviewing BC Hydro's capital plans that will require the BCUC to determine whether any project greater than $50 million is in the public interest. This is consistent with the *Budget Transparency and Accountability Act*, which requires public disclosure of a Major Capital Project Plan report for any project over that amount.

3. Organizational Structure



**total number of employees as of December 31, 2006*

BC Hydro's Executive Team

Bob Elton, President and CEO
Teresa Conway, President and CEO, Powerex
Alister Cowan, Executive Vice-President and CFO
Dawn Farrell, Executive Vice-President, Engineering, Aboriginal Relations and Generation
Gary Rodford, Senior Vice-President, Field Operations
Bev Van Ruyven, Executive Vice-President, Customer Care and Conservation
Ray Stewart, Chief Safety, Health and Environment Officer
Barbara Meens Thistle, Chief Human Resources Officer
Susan Yurkovich, Senior Vice-President, Corporate Affairs

Business Groups

On May 31, 2006, BC Hydro announced organizational changes to our business structure that included the consolidation of some business lines and a streamlined executive team. Our generation and distribution functions remain separate as stipulated in the 2002 provincial Energy Plan. We implemented these changes to better align BC Hydro's business model to deliver on our five short-term priorities (see page 23) and to promote improved coordination between business functions. The new structure consists of operational business groups, a corporate function and two primary operating subsidiaries, Powerex and Powertech (see diagram above and the Appendix for more information on our subsidiaries).

Key Suppliers

British Columbia Transmission Corporation

Established in May 2003, British Columbia Transmission Corporation (BCTC) is a Crown corporation, independent of BC Hydro, whose mandate and functions are set out in the *Transmission Corporation Act* and Key Agreements between BC Hydro and BCTC that reflect an owner-operator relationship. While BC Hydro continues to own the transmission assets, BCTC plans, manages, maintains and operates the transmission system. As with BC Hydro, BCTC is regulated by the BCUC. BCTC and BC Hydro work together to deliver reliable transmission service to our customers.

BCTC ensures non-discriminatory open access to the transmission system for all electricity producers, supporting the growth of private sector involvement in the electricity sector and increasing electricity trade opportunities. With open access to the transmission system, private power producers can also sell directly into regional wholesale markets and directly to large electricity customers.

BCTC prepares its own Service Plan and Annual Report.

Accenture Business Services for Utilities

Accenture Business Services for Utilities (ABSU), based in Vancouver, was established in April 2003 through a joint-venture partnership between Accenture and BC Hydro. ABSU provides BC Hydro with services in customer care, human resources, building and office operations, information technology, payroll, accounts payable, financial systems and purchasing. The goal for the outsourcing relationship is to ensure BC Hydro and our customers receive quality service while achieving long-term cost reductions that will help keep our customers' rates low.

Organizational Structure

INDEPENDENT POWER PRODUCERS

BC Hydro contracts with Independent Power Producers (IPPs) to secure new and diversified energy resources to meet our domestic customers' needs. This approach is consistent with the objectives of the 2002 provincial Energy Plan (see page 17).

Under the fiscal 2006 Open Call for Power, BC Hydro awarded 38 Electricity Purchase Agreements (EPAs) to producers throughout the province. As a result of a parallel tender process, BC Hydro also awarded a contract to the Brilliant Expansion Power Corporation, a subsidiary of Columbia Power Corporation and Columbia Basin Trust. These contracts represent a broad range of energy sources, including biomass, coal-biomass, run-of-river hydro, waste heat and wind. Once developed, these projects will add approximately 1,500 MW of capacity and over 7,000 GWh of energy per year to BC Hydro's integrated system. Allowing for an attrition rate of 23 per cent and outage factor of 7 per cent (values represent mid-points of estimated ranges), our obligations over a 43-year period from 2009 to 2051 have a total nominal value of approximately $16 billion.

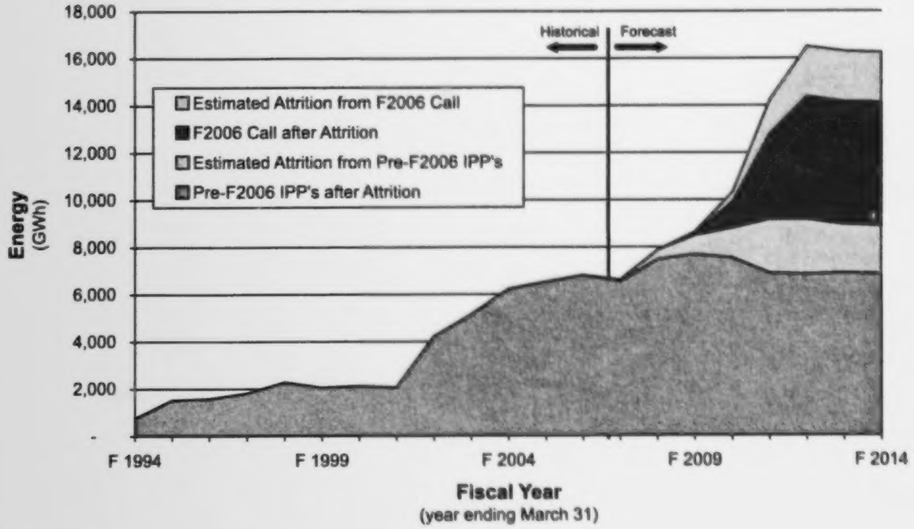
BC Hydro had also amended and extended an existing power purchase agreement with Alcan. This agreement would have provided BC Hydro with access to surplus power – over and above the requirements for Alcan's Kitimat aluminium smelter – from Alcan's Kemano generating plant. The agreement was put forward to the BCUC for review; however, the commission did not approve the contract. We are examining potential options in light of this decision.

In addition, BC Hydro recently awarded an EPA for renewable supply in Atlin, a non-integrated area community that is currently supplied by diesel generation. The successful bidder is wholly owned by the Taku River Tlingit First Nation.

Together, the current 95 EPAs on the integrated system and four EPAs in the non-integrated areas include assets with a cumulative nameplate capacity of 3,900 MW and are expected to provide over 16,000 GWh/year of electricity if all reach commercial operation. To put this in perspective, IPPs already in service contributed 6,741 GWh in fiscal 2006. This represented approximately 13 per cent of our total domestic requirements.

Many of the projects undertaken by IPPs provide important sources of Clean Electricity. (To learn more about Clean Electricity and the role of IPPs, see the Clean Electricity box on page 17.)

ENERGY DELIVERED BY IPPS



Notes:
- IPP supply shown for domestic customers.
- Historical years show delivered energy; forecast years show contracted energy.

Organizational Structure

Governance

A Shareholder's Letter of Expectations describes the relationship between BC Hydro and the provincial government. The government and BC Hydro review the letter annually and update it as required. Directions outlined in the most recent letter, dated June 2006, focus on accountability, energy conservation, stakeholder consultation, private sector support, supply options, electricity trading and government relations. This Service Plan sets out the actions BC Hydro will undertake in response to these directions. Progress on the directions will be provided in BC Hydro's *2006/07 Annual Report*.

BC Hydro is responsible to the Minister of Energy, Mines and Petroleum Resources through the Board of Directors. The government appoints the Board to oversee business affairs, supervise management and ensure that all major issues affecting BC Hydro are addressed. The Board delegates responsibility for the day-to-day leadership and management to the Chief Executive Officer. BC Hydro's Board of Directors operates on the principle of continuous improvement, and annually assesses its own practices, policies and competencies to ensure that the Board as a whole continues to bring the appropriate balance of skills and experience to its policy oversight role.

BC Hydro is committed to best practices in corporate governance. Strong corporate governance principles provide for greater public accountability and transparency. BC Hydro meets the British Columbia government's new *Best Practice Guidelines on Governance and Disclosure for Public Sector Organizations*, issued in February 2005. BC Hydro's disclosure, which is updated annually, is available on-line at www.bchydro.com.

BC Hydro's Director and Employee Code of Conduct guides the conduct of all Board members, employees, consultants, contractors and suppliers. This code is also available on BC Hydro's website.

BC HYDRO BOARD OF DIRECTORS

Larry Bell (Chair, BC Hydro)
Stephen Bellringer
Wanda Costuros* (Chair, Powerex Corp.)
Elmer Derrick*
Brenda Eaton*
Nancy Olewiler*
Walter Saponja*
Jack Weisgerber

**also member of Powerex Board. Additional Directors on Powerex Board: Bob Elton, Peter Powell (outside Director) and Robert Fairweather (outside Director).*

Powertech Board members are Bev Van Ruyven, Bruce Sampson, Bruce Ripley, and Bill Best (outside Director).

Organizational Structure

The Board currently has three standing committees:

COMMITTEE	OVERVIEW	MEMBERS
Audit and Risk Management	Assists the Board of Directors in fulfilling its obligations and oversight responsibilities relating to the audit process, financial reporting, the system of corporate controls, governance of the Corporation's pension plans, and various facets of risk management. In the process of overseeing the Corporation's audit procedures, the Committee has unrestricted access to the Corporation's personnel and documents as required.	Wanda Costuros (Chair), Brenda Eaton, Nancy Olewiler, and Walter Saponja
Corporate Governance	Assists the Board of Directors by ensuring that BC Hydro develops and implements an effective approach to corporate governance which enables the business and affairs of the Corporation to be carried out, directed and managed with the objective of enhancing shareholder value.	Brenda Eaton (Chair), Stephen Bellringer, Wanda Costuros and Elmer Derrick
Human Resources	Assists the Board of Directors in fulfilling its obligations relating to senior management human resource and compensation issues. The committee is also responsible for monitoring standing reports on safety performance and reviewing major safety incidents.	Nancy Olewiler (Chair), Stephen Bellringer Elmer Derrick and Jack Weisgerber

An Executive Committee holds the full power of the Board but only meets in exceptional circumstances when a quorum of the full Board is not available.

The Peace River/Williston Reservoir Advisory Committee, chaired by a Board member (Jack Weisgerber) and made up of local community representatives, reports to the Board of Directors. It provides advice and facilitates two-way communication between the Peace/Williston community and BC Hydro.

The IEP Review Committee is an ad hoc task group formed to assist the Board by providing focused resources to review options related to the *2006 Integrated Electricity Plan* (please see page 16 for more on this plan). Committee members are Jack Weisgerber (Chair), Larry Bell (ex officio), Stephen Bellringer, Wanda Costuros, Elmer Derrick, Brenda Eaton, Nancy Olewiler, and Walter Saponja.

In addition, individual directors are providing special oversight for:

a) Aboriginal Relations (Elmer Derrick)
Work includes:

- reviewing the status and progress of ongoing Aboriginal negotiations
- discussing risk, priorities and plans for risk mitigation, and
- reviewing generally the activities of the Aboriginal Relations group.

b) Dam Safety (Walter Saponja)
Work includes:

- reviewing the status of the dam safety inspection process
- discussing technical aspects related to identified deficiencies
- assessing risk and priorities for risk mitigation, and
- reviewing generally the activities of the office of the Director of Dam Safety.

Quarterly Aboriginal Relations and Dam Safety reports go forward to the Board of Directors.

4. Strategic Context

By virtue of our heritage assets and geographical location, BC Hydro has delivered predominantly clean, reliable, low-cost electricity to British Columbians for decades.

However, while our existing assets continue to provide the bulk of B.C.'s electricity, the demand for electricity is increasing – and there is an emerging gap between our domestic electricity supply and what is required by our customers. As our province continues to grow, demand will rise. BC Hydro forecasts energy demand to grow by 25 to 45 per cent over the next twenty years. Given that new supply and associated transmission require lengthy lead-times before they are operational, it is crucial that we plan and act now to address the shortfall we see in domestic resources.

This emerging gap must be considered in light of BC Hydro's operating environment. The following sections describe the state of the market in which we operate in, the direction we receive from our government shareholder and key external and internal risks and opportunities that affect our business.

BC HYDRO'S *2006 INTEGRATED ELECTRICITY PLAN* (IEP)

On March 29, 2006, BC Hydro filed the 2006 IEP with the BCUC. The IEP is a long-term plan that outlines how BC Hydro will meet the anticipated electricity needs of our customers over the next 20 years.

The IEP examines how BC Hydro will work with British Columbians to fill the forecasted supply-demand gap by:

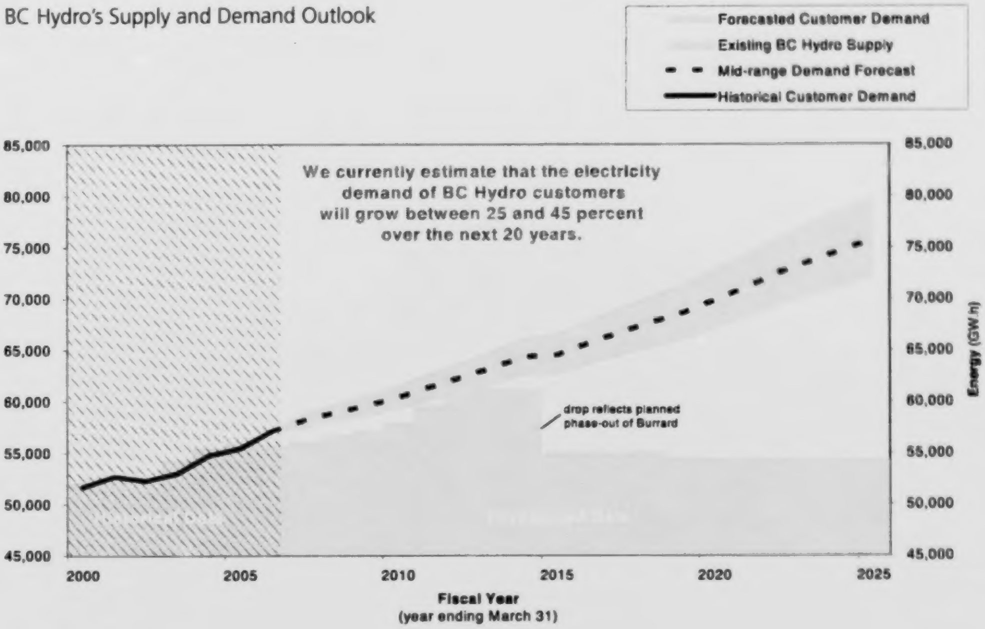
1. Conserving more through increased Power Smart activities and programs such as the Conservation Research Initiative (see page 18).
2. Buying more from independent power producers (IPPs).
3. Building more by investing in Resource Smart upgrades to BC Hydro's existing facilities and/or investigating new options for adding generating capability, such as expansion of the Mica and Revelstoke facilities.

Due to load growth in the Lower Mainland and Vancouver Island, BC Hydro will require additional transmission capacity from the Interior to the Lower Mainland (ILM). The key transmission requirement identified in the 2006 IEP is the ILM transfer capacity upgrade.

We also filed an associated *Long Term Acquisition Plan* (LTAP) as the final chapter of the IEP. The LTAP outlines a 10-year action plan to acquire the resources proposed in the IEP.

BC HYDRO'S ELECTRICITY GAP

BC Hydro's Supply and Demand Outlook



RISKS AND OPPORTUNITIES

BC Hydro regularly evaluates risks and opportunities in setting the strategic direction, priorities and goals for our organization.

BC Hydro is responsible for developing a risk management framework used to identify significant risks on a timely basis, to evaluate risks on a consistent basis and to bring the risks and management strategies to the attention of senior management and the Board.

North American Electricity Sector

Over the past few years, the drive toward standard market design for electricity in North America has diminished significantly. The market today is diverse: there are various approaches to system access, entity ownership, regulation and the degree to which generation, transmission and distribution businesses have been unbundled. All players in the sector face common challenges. These include daunting requirements to site and finance new assets, capital requirements to maintain aging assets, the prospect of restrictive greenhouse gas (GHG) regulation, labour shortages, aging workforces and volatile commodity and energy prices.

The focus of utilities, legislators and regulators is now on customer reliability and the security of supply. Driven by concerns over domestic energy security and increasingly constrained and aging generation and transmission infrastructures, the U.S. government passed a significant piece of federal legislation last year: the U.S. *Energy Policy Act* of 2005. While the Act is U.S.-focused, it will necessarily affect Canadian providers due to the interconnected nature of our transmission systems and electricity supply. The Act encourages a substantial build of new generation and transmission capabilities and creates an Electric Reliability Organization to develop reliability standards. In the face of growing environmental concerns, the Act also provides incentives for the development of clean and renewable generation.

BC Hydro operates within the Western Electricity Coordinating Council (WECC), the largest and most diverse area under the North American Electricity Reliability Council (NERC). The market area extends from Canada (includes B.C. and Alberta) to Mexico and is characterized by significant north-south transmission inter-ties between British Columbia and the United States. These allow large volumes of electricity to be moved and traded according to regional supply and demand. Collaboration between all jurisdictions in the WECC will be necessary to address transmission constraints, system reliability and load growth.

GOVERNMENT DIRECTION

The provincial Energy Plan – released in 2002 as *Energy for Our Future: A Plan for B.C.* – guides BC Hydro's long-term strategy. BC Hydro has now implemented all 14 policy action items related to BC Hydro and continues to act on seven in the ordinary course of our business. Details are found in last year's Service Plan.

CLEAN ELECTRICITY

The 2002 Energy Plan set a 50 per cent incremental B.C. Clean Electricity Target to be achieved over a 10-year period, beginning in 2002/2003 and ending in 2012/2013.

BC Hydro's *2006 Integrated Electricity Plan* (IEP) assumes the B.C. Clean Electricity Target would extend throughout the 20-year analysis period. The majority of IEP portfolios were structured to reach the 50 per cent target and thereafter maintain a minimum of 50 per cent in each year. This work demonstrated the feasibility of meeting anticipated demand through resources that are aligned with this goal. Future Calls for Power, however, will determine what resources are selected.

Current contracted B.C. Clean Electricity resources are expected to meet 41 per cent of the incremental demand over the 10-year target period. Since November 2002, approximately 80 per cent of contracted IPP energy meets the B.C. Clean Electricity definition. We will continue to contract with additional qualifying resources to reach the Clean Electricity Target. For more information on the B.C. Clean Electricity Definition, please see BC Hydro's *2006 Annual Report*.

Our responses to the next provincial Energy Plan will be formulated once it becomes available. We anticipate the new policy will reflect the February 14, 2006 Speech from the Throne that announced the government's intention for British Columbia to become "...self-sufficient within the decade ahead." We are planning now, through the IEP, for the domestic resources we will need to close the emerging supply/demand gap.

External Risks and Opportunities

CUSTOMER DEMAND

BC Hydro plans for both peak load and annual energy demand on our electrical system in order to ensure that the resources available are adequate to meet customer electricity requirements. When planning for peak load, BC Hydro conducts studies to determine how much capacity is required to meet the peak with 90 percent confidence. In situations where our heritage assets and purchase contracts cannot provide enough capacity, we address the shortfall through approaches such as load curtailment and market purchases. We complete additional peak load forecasting on a regional basis to use in planning for our transmission and distribution assets.

Significant growth in customer demand – brought about by population growth, a rise in new housing starts, global demand for minerals, new applications for electricity (such as home electronics) and weather patterns – presents financial and reliability risks to the system.

Factors contributing to the growth in customer demand are largely outside of BC Hydro's control, but we are working toward a long-term solution to address the emerging load resource gap. BC Hydro's latest *2006 Integrated Electricity Plan* (IEP) outlines how BC Hydro proposes to meet growing customer demand (please see page 16).

THE CONSERVATION RESEARCH INITIATIVE (CRI)

BC Hydro must provide enough electricity to meet peak demand, but if we could reduce peak demand, we could also delay requirements for new facilities and make better use of our existing system capacity.

The Conservation Research Initiative (CRI) is a pilot program launched in November 2006 to examine ways to shift electricity use to off-peak hours and help us understand how adjusting the price of electricity at different times of day influences usage and conservation patterns of residential customers.

Under the program, new advanced metering automatically collects consumption data and provides participating customers with better electricity usage information, thereby enabling them to adjust their consumption habits.

SAFETY, SECURITY & EMERGENCY PLANNING

BC Hydro's long-term safety goal is to provide the safest work environment compared to the best performers in any industry with no serious injuries. (Please see our short-term priorities on page 25 for specifics of how we mitigate risks to employee safety.)

BC Hydro is committed to protecting the public from hazards associated with our facilities and our product by identifying and evaluating risks to public safety, and by developing and implementing effective plans and processes to mitigate them. We significantly mitigate risk to the public by designing, building and maintaining the electrical system "out of harms way" with overhead and underground construction, and by providing the public (including First Responders) with education and awareness programs.

The security team at BC Hydro identifies and evaluates risks to the security of employees and facilities – including terrorism, theft and vandalism – and develops and deploys effective ways to eliminate or control these risks.

BC Hydro mitigates other significant risks to BC Hydro employees and the company's ability to maintain service, such as natural disasters and pandemics, in part by developing and testing plans to ensure the effective and timely response to and recovery from emergencies. We have also put plans in place to ensure the continuation of critical business processes.

FIRST NATIONS

BC Hydro recognizes the importance of establishing long-term relationships with First Nations – built on mutual respect – that appropriately reflect the interests of First Nations in education, employment, economic development and identifying and mitigating impacts of resource use on the land and the environment.

We also recognize that BC Hydro faces business risks posed by these same First Nations' issues. These risks include grievances related to BC Hydro's generation, transmission and distribution facilities and operations, as well as land claims and regulatory approvals. However, we remain committed to developing innovative solutions to outstanding issues and building sustainable relationships with First Nations.

Strategic Context

In 2006, BC Hydro made significant progress in our negotiations with two First Nations. In particular the Tsay Keh Dene First Nation and the Kwadacha First Nation located at the northern end of the Williston Reservoir have both reached and signed Agreements in Principle jointly with the Province and BC Hydro to resolve outstanding grievances as a result of the construction and ongoing operation of the Williston Reservoir. Final Agreement is anticipated within the next 24 months. We have also made progress on a number of engagements with First Nations on major capital projects, including signing a Benefits Agreement with Blueberry River First Nation related to the Fort St. John Reinforcement project.

ABORIGINAL EDUCATION

BC Hydro is providing $1 million toward the first-ever National Chair in Aboriginal Economic Development at the University of Victoria.

The chair, based in the faculties of business and law, will direct a program of research, relationship-building and education to advance Aboriginal economic development in Canada. The chair will offer students a supportive learning environment, which will help BC Hydro in building business partnerships and in engaging Aboriginal people in employment opportunities.

Recently, BC Hydro's Board of Directors approved a pilot procurement strategy that creates opportunities to support development and Aboriginal peoples' full participation in BC Hydro's purchases of goods and services. In addition, BC Hydro has approved a 10-year Aboriginal employment and education strategy that will focus on recruiting, training and retaining Aboriginal employees.

Environmental & Social Considerations

BC Hydro operates in a dynamic and changing natural and social environment. An uncertainty for us is the prospect of Greenhouse Gas (GHG) regulation. BC Hydro is monitoring government policy discussions on this topic. Because such regulation may affect how we manage existing assets and plan for new resources, we are using GHG price forecasts for integrated electricity planning, utilizing risk management tools in our power acquisition processes, analysing our emissions and developing strategies to mitigate them.

We also regularly assess the risks of uncontrollable environmental factors that may affect our ability to provide reliable electricity – including lower than anticipated water inflows, changing snow-pack conditions, weather patterns, and the mountain pine beetle infestation that may cause trees to fall on our power lines. We do this by using water forecasts in our operations planning and focusing on vegetation management in pine beetle areas.

WATER USE PLANNING

The goal of BC Hydro's Water Use Planning program is to find a better balance between competing uses of water such as domestic water supply, fish and wildlife, recreation, and heritage and electrical power needs that are environmentally, socially and economically acceptable to British Columbians.

We work in consultation with representatives from all levels of government, local communities and First Nations to define water management issues, set objectives and performance measures, review operating alternatives and recommend appropriate operating plans. A desired, but not mandatory, outcome of this consultation process is to achieve consensus agreements on appropriate operations.

Over the past five years, we have together developed 23 Water Use Plans covering 29 facilities, and achieved consensus with 22 of the 23 plans. Seventeen of those plans have now been approved by the Province's Water Comptroller of Water Rights and the remaining six are under review.

These agreements help BC Hydro reduce regulatory uncertainty and provide operational stability. But perhaps even more importantly, the Water Use Planning program has helped BC Hydro engage in a constructive dialogue with all stakeholders and First Nations about the options, impacts, tradeoffs and priorities involved in operating our facilities.

In 2006, the Canadian Electricity Association (CEA) presented BC Hydro with an Environmental Conservation and Responsibility (ECR) Environmental Stewardship award for our Water Use Planning process. The ECR awards program was established in 2006 to raise awareness of the need for better environmental performance by the electrical industry, promote the environmental achievements of CEA members and demonstrate how members are addressing key environmental issues.

BC Hydro's Environmental Responsibility Policy states, in part, that the company will meet environmental requirements defined by legislation, regulation and government directives and will perform beyond environmental requirements where it makes sound business sense. To fulfill this policy, we employ an International Standards Organization-compliant environmental management system to help us meet our environmental requirements and avoid, mitigate or offset environmental impacts from the way we operate our facilities and deliver electricity to our customers.

We are also investing in compensation and restoration programs in each region, and working with First Nations, communities and government agencies on a variety of programs – such as Water Use Planning (please see box previous page) and Power Smart demand-side programs – to identify better ways to manage our water resources, close the emerging supply gap and conserve electricity.

We recognize there are challenges ahead and choices to be weighed. By engaging interested parties and providing information, we can ensure that an informed discussion occurs to help us reach the goal of domestic electricity self-sufficiency.

ECONOMIC FACTORS

A strong economy drives demand for electricity. Strong economic growth is expected to continue in British Columbia despite several risks, including cooling housing markets, the dampening of U.S. economic growth, uncertainties in the Canadian forestry sector and volatile prices for commodities such as metals, oil and gas.

Strong employment is also compounding our challenges of attracting and retaining employees and contractors.

In addition, interest rates may continue to rise and BC Hydro remains concerned about escalating costs of construction and materials. These trends will result in increased finance charges and higher costs for necessary supply-related projects that may be undertaken by BC Hydro or our suppliers.

SUPPLIER RELATIONSHIPS

To achieve cost savings, foster private sector generation opportunities and meet the requirements of the government's 2002 Energy Plan, BC Hydro's supply chain now includes several key suppliers, including ABSU, BCTC and contracted IPPs (please see page 12 for more information on suppliers). As a result, BC Hydro's success is increasingly linked to the performance of these suppliers.

We are working to establish strong relationships with these entities and use service-level agreements where appropriate. In recent years, we have increased the performance obligations placed upon IPPs in Electricity Purchase Agreements (EPAs), reflecting our greater reliance on IPP supply.

Internal Risks and Opportunities

PEOPLE

Of BC Hydro's current workforce, approximately 15 to 20 per cent are eligible to retire now and over one third are eligible to retire in the next five years. This presents both organizational and financial risks.

The volume of pending retirements and a highly competitive external labour market are making it difficult for us to attract and retain the number of skilled employees we need to deliver on our projects and capital plans. In addition, while our public sector wage guidelines help to keep BC Hydro's costs low and we have successfully negotiated agreements consistent with the Public Sector Employer's Council's mandate, if forecasted compensation increases in the market are in excess of what we have negotiated, it may become more challenging for us to compete for people. We have put in place initiatives around recruitment, succession planning and knowledge retention to mitigate the risks outlined above. One such strategy is to recruit people into areas of the organization with the understanding that once they have gained broad experience and understanding of the business they could rotate into harder to fill roles in other areas. This rotational approach is an attraction strategy and a means for developing our talent.

We are also working (please see our short-term priorities, page 36) to re-energize our current workforce through active employee engagement and leadership development activities. These activities will, in turn, help us position our company as a Top Employer – both enhancing the retention of our current staff and increasing the attraction of external candidates and new skill sets to the business that will align with our changing requirements.

CAPITAL MANAGEMENT

BC Hydro is responsible for an extensive system of generation, transmission and distribution assets.

Our investment decisions must address employee and public safety risks, and balance electric system reliability risks, costs for ratepayers, interests of stakeholders and First Nations, environmental and social impacts, availability of internal and external resources, and the impact of capital spending on debt levels and finance charges.

As a result of growth in customer demand, rising commodity and labour costs, and the maturity of our assets and civil infrastructure – which require increased maintenance to meet expected high levels of reliability – BC Hydro forecasts capital spending of approximately $1 billion in fiscal 2008, increasing to $1.4 billion per year.

ASSET MANAGEMENT

Aging physical assets have a significant impact on BC Hydro's reliability and operations. As asset health decreases, the potential for equipment failure increases, unless specific actions are taken.

We have developed a 10-year strategic generation asset plan to address key risks and identify strategies to mitigate these risks. At the facility level, each generation site has its own asset plan that identifies optimal investment decisions based on its unique technical, economic and environmental attributes. We have also implemented a reliability-centred focus on equipment maintenance so that, as assets age, maintenance is modified to keep equipment running at targeted performance levels.

We are also focussing on the planning, expansion and maintenance of our province-wide distribution system, which must always be capable of connecting new customers. As a result, our Field Operations group has standardized its maintenance programs to ensure consistent application throughout the province.

TECHNOLOGY

BC Hydro is examining several opportunities where technology can enhance our business and provide efficiency gains to help offset effects of the labour shortage. Examples include mobile data connectivity that allows field staff to remotely dispatch and record work and safety information, and Advanced Metering Infrastructure (AMI).

AMI uses smart meters to provide accurate meter readings at regular intervals throughout the day that are then automatically collected and transmitted to BC Hydro. AMI supports conservation initiatives, operational improvements and enhanced customer service through more timely availability of consumption information, increased billing accuracy and more proactive and expedient distribution system management.

BC Hydro is also staying abreast of developments in Smart Energy, focussing on the application of computer technology to the electric power grid.

ELECTRICITY TRADE

Electricity trade is important to BC Hydro, our customers and British Columbia because it enables us to support domestic energy requirements and to lower rates for domestic customers.

Through our Powerex subsidiary (www.powerex.com), BC Hydro participates in electricity and natural gas trading and marketing activities throughout North America.

Although BC Hydro is a net importer of electricity, it earns a profit through Powerex's trade activities. Powerex's profits are generated from its portfolio of sales and purchases and, in part, by optimizing BC Hydro's large, flexible hydroelectric system. The system's flexibility allows BC Hydro to optimize generation to meet load. It also allows BC Hydro to extract trade benefits through exports when prices are relatively high and reduce generation through imports when prices are relatively low.

To mitigate risks associated with Powerex's trading activities, Powerex operates through defined, Board-approved limits on tradable markets, exposure to market prices, exposure to individual counterparty credit ratings, and transaction type, size, and duration. Powerex follows Standards of Conduct and the Electric Power Supply Association's Code of Ethics and Sound Trading Practices to guide its trading.

5. Long-Term Goals and Short-Term Priorities

Long-Term Goals

BC Hydro has established 15 long-term goals to guide our business over the next 20 years and ensure we continue to provide reliable power, at low cost, for generations.

These 15 goals – explained in detail in BC Hydro's *2006 Annual Report* – are:

- Reliability (Customer)
- Reliability (Supply)
- Customer Satisfaction
- **Remote Community Electrification**

  Our goal is to provide appropriate electric service on an equitable basis to remote communities within B.C. We are working with local citizens, the provincial government, BCUC and independent power producers to:
  - provide innovative, affordable solutions
  - generate training and employment opportunities for local inhabitants, and
  - reduce the use of environmentally unfriendly diesel and gasoline generators.

  Over the next 11 years, the Remote Community Electrification program will target approximately 20 communities currently served by Indian and Northern Affairs Canada (INAC), a further 10 First Nations and 20 other communities not served by BC Hydro or INAC.
- Workplace
- Teamwork
- Safety
- First Nations Relationships
- Suppliers
- **Environmental Impact**

  Our goal is to have no net incremental environmental impact by 2024, RELATIVE TO 2004. As stated in our Environmental Responsibility Policy, "We recognize that our energy system causes both positive and negative impacts on the environment and on those with whom we share public resources. Where negative impacts cannot be avoided, we will work to mitigate or offset them, enhance affected habitat, and sustain resources over the long term."

  We are committed to the idea that taking care of the environmental health and quality of our natural resources supports the province's economic health, aligns with society's values, and helps sustain the quality of life in British Columbia. To that end, we are working first and foremost to avoid and reduce environmental impacts through conservation and demand-side management. By lowering provincial electricity demand, we will decrease the need for new supply, manage our existing resources more efficiently and avoid additional adverse effects on the environment. We are also planning new resource portfolios with analysis that seeks to:
  - mitigate greenhouse gas emissions
  - maintain air quality
  - manage waste
  - protect fish and wildlife, and
  - promote water quality.
- Electricity Conservation and Efficiency
- Financial Targets
- Western Opportunities
- Innovation and Technology
- Stakeholder Engagement

Long-Term Goals and Short-Term Priorities

Short-Term Priorities

BC Hydro's 15 long-term goals define the low cost, sustainable and socially responsible company BC Hydro will be in 20 years. By focusing on our purpose of reliable power, at low cost, for generations, we will be able to meet these longer term goals. Our five short term priorities are intrinsic in this purpose: reliability for customers and reliability of our supply, keeping our financial costs low and offering service and value to our customers through our attention to our people, contractors, and the public and their safety.

Right now, B.C.'s rapid economic growth is shaping our short-term priorities.

More customers require more electricity. We must find ways to expand our current system and connect more customers, while maintaining our aging facilities and continuing to provide reliable power at low cost. At the same time, we are facing a shortage of the skilled labour we need to accomplish this work.

As a result, we will focus over the next three years on:

1. Safety

Improving safety with the ultimate goal of providing the safest possible work environment.

2. Reliability (Customer and Supply)

Ensuring the reliability of our electricity supply and developing and fostering a conservation culture in British Columbia that leads to customers choosing to make a dramatic and permanent reduction in electricity use.

3. Financial

Keeping our costs among the lowest in North America and achieving 100 per cent of forecast net income.

4. Customer Satisfaction

Offering extraordinary value and service to our customers.

5. People

Being an outstanding employer.

The next section of this Service Plan provides details on strategies, performance measures and targets for each of these short-term priorities.

6. Strategies, Performance Measures and Targets

BC Hydro uses a series of measures to guide business performance and progress, evaluate whether a particular short-term priority is on track and where adjustments may need to be made. Some of these measures are tracked on a quarterly basis; others are tracked semi-annually and annually. Measures are results-based where possible and will help the company, shareholder and the public evaluate performance. In conjunction with the Auditor General's Building Better Reports initiative, BC Hydro's Audit Services group developed assurance standards for performance measures. On a periodic basis, internal audits are conducted on performance measures using these standards. All internal audits are reviewed by BC Hydro's Audit and Risk Management Committee of the Board. Additionally BC Hydro participates in a number of benchmarking studies to determine areas where improvement may be required.

BC Hydro's Executive Team and the Board of Directors have reviewed the performance measures and targets in this Service Plan to ensure that they are the right indicators to support the five short term priorities – Safety, Reliability (Customer and Supply), Financial Targets, Customer Satisfaction and People.

The performance measures and targets in this Service Plan have not changed significantly from those outlined in last year's plan. Minor changes are as follows:

- We have changed to a more specific name for our Reliability of Supply measure – "Winter Availability Factor" – but the underlying measure remains unchanged.
- DSM targets have been adjusted based on the results of studies underway to identify energy savings potential.
- Targets for net income are based on the latest forecast, and reflect rate increases required to enable BC Hydro to cover increased costs of servicing customers. Rate increases for fiscal 2007 and 2008 have been approved by the BCUC. Rate increases for fiscal 2009 and 2010 are preliminary and subject to future rate applications and BCUC approval.
- The price competitiveness metric as we proposed in last year's plan was deemed to have too many factors that were outside of BC Hydro's control; instead we have provided a chart that shows our rate comparison in Section 2 (Rates and Regulation) and will be developing a productivity measure for inclusion in next year's Service Plan.
- The Customer Satisfaction measure was adjusted after analysis showed the preliminary metric, based on response to a single "overall satisfaction with service" question had several limitations. An index measure of key drivers of customer satisfaction has been developed (i.e. providing reliable electricity, value for money, commitment to customer service, acting in the best interest of British Columbians and efforts to communicate with customers and communities).
- The Employee Engagement performance measure was not complete for release in the 2006/07 to 2008/09 Service Plan. Baseline data and targets have now been established and are included in this Plan. The results will be measured by means of an annual employee survey.
- Because the performance section is now focussed on our short-term priorities, we have moved the environmental objectives into the body of the Service Plan.

1. Safety

SAFETY – PROVIDE THE SAFEST WORK ENVIRONMENT COMPARED TO THE BEST PERFORMERS IN ANY INDUSTRY, WHERE NONE OF OUR EMPLOYEES WILL EXPERIENCE A SERIOUS SAFETY INJURY.

Our goal is to ensure that safety and health hazards are identified and either eliminated or managed and controlled so that employees, contractors and the public are free from unacceptable risk of harm. This requires an integrated approach in the design and maintenance of assets, operational controls, work procedures and equipment, employee qualifications, training and leadership. To provide a broader perspective on BC Hydro's safety approach, we recently commissioned an expert panel to examine our practices.

Safety management, in particular, is very challenging for employees working on restoration of the system. Crews are often required to travel to remote sites and erect poles, repair transformers and clear and repair lines during severe storm conditions. Focusing on safety means that all BC Hydro employees are aware of safety hazards in every situation, and place safety for themselves and others before all other priorities.

NEAR-TERM STRATEGIES:

Over the next three years, our aim is to achieve a reduction in the frequency of work-related injuries (known as All Injury Frequency or AIF – please see the definition in the following chart) to a level at or below 1.2. We will achieve this by embedding the Safety Trend initiatives already underway, identifying and utilizing best practices, streamlining and improving operational controls (safety procedures and standards), and improving safety knowledge, skills and behaviours.

Specifically, we will focus on:

- Learning from incidents and near misses to ensure timely inter-vention that prevents similar incidents from occurring in the future.
- Improving employee qualifications to reduce errors.
- Implementing "Safety by Design" concepts that integrate safety throughout the asset life cycle.
- Gathering and analyzing leading indicators and applying proven risk management principles to act in advance of any safety threat.
- Ensuring effective internal working relationships and external relationships with the BC Transmission Corporation and contractors.

Strategies, Performance Measures and Targets

Performance Measure	Actual F2005/06	Forecast F2006/07	Target 2006/07	Target 2007/08	Target 2008/09	Target 2009/10
All Injury Frequency (Number of injuries per 200,000 hrs. worked)	2.5	2.1	2.1	1.9	1.5	1.2
Severity (Number of days lost due to Injury per 200,000 hrs. worked)	56	29	29	25	22	20

Description: All Injury Frequency is a standard CEA measure and is defined as the total number of employee Medical Aids and Disabling Injuries occurring in the last 12 months per 200,000 hours worked. Medical aid injuries are those where a medical practitioner has rendered services beyond the level defined as "first aid" and the employee was not absent from work after the day of the injury. Disabling injuries are those where the employee is absent beyond the day of injury. Severity is also a standard CEA measure and is defined as the number of calendar days lost due to injury, per 200,000 hours worked. These definitions have been generally harmonized with the U.S. Occupational Safety and Health Administration standards for safety statistics.

Rationale/Benchmarks: We have set these safety performance targets to move toward the safest work environment compared to the best performers in comparable industries over the next three years. Reducing AIF to a level at or below 1.2, and Severity to 20 or below, is consistent with achieving our long-term goal to reduce AIF to 0.5 and Severity to 10 by 2025. For comparison, the Canadian Electricity Association (CEA) composite AIF in 2005 was 2.76 and considered to be excellent performance across industries and North American borders. In F2005/06, BC Hydro's severity rate was unusually high due to a small number of very serious incidents, and the Severity has already dropped to below the F2006/07 target level.

BC Hydro uses direct peer comparison against comparable CEA utilities to help us achieve "best in class" performance. In AIF, BC Hydro has consistently performed better than the CEA composite; however, at roughly half of the 2005 composite AIF of 2.76, our targeted improvement to 1.2 by 2010 will demand consistent attention to the strategies listed above. The Severity targets have been selected to progressively reduce the lost time associated with injuries.

Note: Additional performance measures may be developed to direct increased focus on specific areas of safety risk.

2. Reliability (Customer and Supply)

2A. RELIABILITY (CUSTOMER) – PROVIDE BEST IN CLASS RELIABILITY BY CUSTOMER SEGMENT

Customer reliability means that we are able to deliver an uninterrupted supply of electricity to our customers' satisfaction (recognizing that different types of customers have different expectations for outage frequency, outage duration, power quality, and outage communication).

In order to meet customer needs and expectations for reliable service, both now and in the future, we need to understand and embed customer values in all of our business processes and change from a focus on the system to a focus on the customer so we can deliver expected customer service levels within a lowest life cycle cost framework. This is also key to meeting customer satisfaction targets.

The measures below assess performance during normal operating conditions (i.e., excluding storms and other major events). Winter storms, however, are a part of our business and we have developed a safe and timely response approach. Our abilities to scale our staff appropriately and to work with our local offices and the Provincial Emergency Program are critical. Crews are mobilized to respond in priority sequence to incidents affecting major infrastructure (transmission lines, substations and major distribution lines), priority customers including hospitals, and problems where the greatest numbers of customers are impacted. Reports that describe BC Hydro's storm response activities are now available on our website shortly after each major event. We continue to analyze the impacts of major storm events, such as those experienced in November and December 2006, to refine our strategies, practices and communications, and improve restoration times.

NEAR-TERM STRATEGIES:

Over the next three years, we will focus on three initiatives:

- The Stakeholder Engagement initiative to build and enhance employee (and customer) awareness and understanding of customer needs and expectations.
- The Customer Based Reliability (CBR) initiative to identify differing reliability needs for various customer segments and how best to align our asset management processes to focus on those needs. We will continue to monitor the measures below at a more granular level to identify customer areas experiencing unusually frequent or prolonged outages. This information, combined with the output of the CBR and targeted performance requirements at the substation and transmission level, will help us prioritize our investments in a way that best meets the reliability needs and expectations of our customers.
- The Asset Management Framework initiative to develop an asset management system to monitor the health and capability of each asset class (such as wires, poles and cables), calculate asset lifecycle costs and support effective maintenance practices to help deliver consistently reliable power.

Performance Measure		Actual F2005/06	Forecast F2006/07	Target 2006/07	Target 2007/08	Target 2008/09	Target 2009/10
Reliability - Customer (excluding major events)	CAIDI	1.82	2.15	2.26	2.15	2.15	2.15
	ASAI	99.969	99.970	99.970	99.970	99.970	99.970
	CEMI-4	14%	11%	11%	10%	9%	8%
	CELID-6	17%	17%	17%	16%	14%	13%

Definitions:

CAIDI (Customer Average Interruption Duration Index) – The average interruption hours per interrupted customer.

ASAI (Average Service Availability Index) – The percentage of time power is available.

CEMI (Customers Experiencing Multiple Interruptions) – Percentage of customers experiencing 4 or more outage interruptions per year, excluding major events.

CELID (Customers Experiencing Longest Interruption Duration) – Percentage of customers experiencing longest interruption duration of six or more hours, excluding major events.

Rationale/Benchmarks: BC Hydro has a high level of customer satisfaction with overall system reliability. CAIDI and ASAI reflect the reliability of the overall distribution system, and targets have been set to achieve a level of performance that will maintain a high level of customer satisfaction. While these measures are industry standards, they do not reflect that, in some areas of British Columbia, the frequency and duration of outages is consistently higher than the system average. CEMI and CELID are customer reliability measures that address this issue. We have set the initial targets based on fiscal 2006 performance on these measures.

BC Hydro participates in an annual transmission and distribution benchmarking study conducted by PA Consulting. In fiscal 2006, BC Hydro's reliability performance, namely ASAI and CAIDI, ranked in the third quartile relative to a panel of leading Canadian and U.S. utilities participating in the study. While we benchmark our performance, we recognize the need to account for the impact of our vast service territory, terrain and vegetation challenges on our end user reliability performance. BC Hydro has three times as many trees per overhead pole mile as the North American average and 86 per cent of our distribution system is overhead, making us more susceptible to major weather events such as wind and snow storms.

2B. RELIABILITY (SUPPLY) – MEET ALL DOMESTIC NEEDS

Reliability of supply means ensuring all the infrastructure components are in place – and are operating optimally – to deliver energy to our customers. These components include generating facilities, the transmission network and the distribution network. Generating facilities include BC Hydro's heritage assets, IPPs and other contracted generators. We can also access supply from external energy markets, including Alberta, the Western United States and the Canadian Entitlement under the Columbia River Treaty.

We achieve transmission reliability by requesting adequate transmission service from BCTC to ensure the network is capable of delivering supply to the load centres. We achieve distribution reliability by ensuring new customer requests are met and the existing assets provide the targeted level of service.

The current system is moving to a point where its existing capability is no longer sufficient to meet increasing load. This means we must plan for and acquire resources that complement the existing system, and bring them into operation a timely manner.

Our reliability planning is outlined in our *2006 Integrated Electricity Plan* (IEP), which includes, as its final chapter, the *Long-Term Acquisition Plan* (LTAP). The IEP and LTAP lay out how BC Hydro will:

- build on our successful demand-side management (DSM) programs (see next section on Electricity Conservation and Efficiency)
- implement the 2006 Call for Power, which acquired 4,200 GWh/yr of firm energy (net of anticipated attrition and outages, including the Brilliant Expansion contract)
- finish bringing energy from prior Calls for Power on-stream
- execute the 2007 Call for Power[1] for 5000 GWh/yr of firm energy
- prepare for a future fiscal 2009 Call for Power[2], and
- execute on capital spending plans to enhance and maintain our generation heritage assets.

NEAR-TERM STRATEGIES:

Over the next three years, we will work to:

- Ensure generation heritage assets maintain threshold reliability targets.
- Manage our peak load supply reliability by minimizing the amount of unit outages during the winter peak period, coordinating with Powerex to secure firm market energy options for domestic peaks and expanding our firm and non-firm load curtailment programs with customers as contingencies for winter capacity supply.
- Advance sequential power acquisition processes and steps to ensure incremental supply is in place to meet future needs.

Notes:

[1] *Pending BCUC approval of the LTAP*

[2] *Pending BCUC approval of the LTAP*

Performance Measure	Actual F2005/06	Forecast F2006/07	Target 2006/07	Target 2007/08	Target 2008/09	Target 2009/10
Winter Availability Factor (The percentage of time that units are available for service.)	96.77%	95.75%	97.50%	96.20%	96.40%	96.60%

Description: The measure is a percentage rate of units in the system available to generate electricity (hours available for service/total hours) during the critical peaking period of November 15th – February 15th. We changed the title to Winter Availability Factor from Availability Factor for clarity.

Rationale/Benchmarks: The reliability measure provides a means to gauge BC Hydro's performance on the reliability of our hydro generation fleet over the critical four-month winter peak period when demand is greatest due to adverse weather. Units become unavailable during this time primarily due to unexpected forced outages as well as scheduled outages required to maintain them. This measure drives the need for us to complete all major maintenance in the non-critical period and to minimize the duration of outages during the critical peak periods. Although we have done very well in keeping the units availability levels high in the past two years, the next three year targets reflect the expectation that as peak customer demand continues to increase, and generation equipment is being utilized more fully and continues to age, there is a higher probability that additional unexpected outages will occur. Over time, as the current maintenance plan for the units is completed, and as more generating capacity is added in the system, we expect to increase our performance targets.

BC Hydro is not currently aware of any external benchmarks which are suitable for comparison with the Winter Availability Factor.

Note: BC Hydro will develop an overall supply measure and targets, pending the establishment of government policy through the renewal of the 2002 Energy Plan and the BCUC's decision on our Long-Term Acquisition Plan.

Strategies, Performance Measures and Targets

2C. ELECTRICITY CONSERVATION AND EFFICIENCY – DEVELOP AND FOSTER A CONSERVATION CULTURE IN B.C. THAT LEADS TO CUSTOMERS CHOOSING TO MAKE A DRAMATIC AND PERMANENT REDUCTION IN ELECTRICITY INTENSITY.

Long-term demand-side management (DSM) is a critical part of our strategy to address supply and demand issues and reduce energy costs and environmental impacts. Our *2006 Integrated Electricity Plan* (IEP) found that DSM is the lowest cost available resource to meet growing electricity demand, and imposes the least environmental impact. Pursuing DSM will increase customer satisfaction, lower energy bills and support a more sustainable future for British Columbia.

NEAR-TERM STRATEGIES:

Over the next three years, we will:

- Lead by example, by ensuring BC Hydro facilities and employees take advantage of all possible DSM practices.
- Encourage an energy conservation ethic through a broad foundation of awareness and support and appropriate price signals with new rates and rate structures to encourage efficiency and conservation and continue to evolve and launch new DSM programs where rates are ineffective in overcoming market barriers to energy efficiency improvements.
- Stimulate innovation by establishing BC Hydro as a leader in the advancement of new energy efficiency technologies and practices and by supporting research into technological advances that could save electricity, such as advanced pulp screen technology and improved lighting and building designs.
- Promote a utility regulatory environment that is conducive to DSM, through dialogue with stakeholders and government and support strong government policy and regulation to drive changes in the energy efficiency of products and buildings

Performance Measure	Actual F2005/06	Forecast F2006/07	Target 2006/07	Target 2007/08	Target 2008/09	Target 2009/10
Demand Side Management (DSM) (GWh/Year, rounded)	2,000	2,500	2,500	2,800	3,300	3,800

Description: The DSM measure reflects the cumulative annual rate of electricity savings resulting from DSM activities (conservation, energy efficiency and load displacement) since fiscal 2001/02.

Rationale/Benchmarks: The DSM measure reflects the cumulative annual rate of electricity savings resulting from DSM activities since fiscal 2002. It gauges the contribution of DSM to closing BC Hydro's demand-supply gap. For example, targets in fiscal 2009 and 2010 reflect a reduction in forecast load growth of about 0.8 per cent. Without incremental DSM, forecast load growth would be 2.3 per cent, compared to 1.5 per cent with incremental DSM. Targets reflect the 2006 Integrated Electricity Plan's recommended DSM target of 10,000 GWh by fiscal 2025.

Note: Targets are subject to change based on the results of studies underway to identify energy savings potential and the development of a new DSM plan.

3. Financial Targets

FINANCIAL TARGETS – MAINTAIN LOW COSTS FOR ELECTRICITY CUSTOMERS IN BC OVER THE LONG TERM, WHILE CONSISTENTLY DELIVERING 100 PER CENT OF FORECAST NET INCOME.

We want to deliver key financial targets from both the shareholder and customer perspectives while achieving our other performance targets. The shareholder's interest is in achieving a stable and predictable return on its investment in BC Hydro. The customers' interest lies in maintaining the low electricity rates they currently enjoy without compromising safety, reliability or environmental performance, which provide a competitive advantage to industry and help to drive economic activity in British Columbia.

For the shareholder, our objective is to consistently deliver 100 per cent of forecast net income; for our customers, our objective is to maintain and build on the low-cost position that British Columbian electricity customers currently enjoy.

NEAR-TERM STRATEGIES:

Over the next three years, we will work to:

- Hedge foreign exchange and interest rate risks.
- Manage the short-term cost of energy by optimizing decisions of buy versus generate.
- Optimize the long-term cost of energy through implementation of the *2006 Integrated Electricity Plan* (IEP) and the *Long-Term Acquisition Plan* (LTAP), including conducting future competitive calls for energy from IPPs.
- Enhance prioritization, reporting and execution of capital spending across BC Hydro while upgrading and maintaining our heritage assets.
- Implement productivity projects focusing on rationalizing IT systems, the procurement process and the work management process.

Over the long-term, these strategies will result in a sustained cost advantage created by:

- making good business decisions that enhance productivity
- delivering an effective capital investment program
- procuring new supply at low total cost, and
- optimizing BC Hydro's balance sheet and cost of capital.

Performance Measure	Actual F2005/06	Forecast F2006/07	Target 2006/07	Target 2007/08	Target 2008/09	Target 2009/10
Net Income (Millions)	266	400	395	365	396	416

Description: Net income is defined as total revenue less total expenses after regulatory account transfers, and represents the net impact of key economic and business factors that affect BC Hydro's performance. Regulatory account transfers reflect the financial impact of the factors beyond BC Hydro's control (such as water volatility, market prices, etc.)

Rationale/Benchmarks: The targets are based on the latest forecast and reflect rate increases required to enable BC Hydro to earn its allowed return on equity. Rate increases for fiscal 2007 and 2008 have been approved by the BCUC. Rate increases for fiscal 2009 and 2010 are preliminary and subject to future rate applications and BCUC approvals.

Note: In the 2005/2006 to 2007-2008 Service Plan, BC Hydro contemplated the introduction of an additional Financial Targets metric to assess price competitiveness. This metric, which was still under development at the time, was to have captured the relative price advantage for BC Hydro customers relative to the average electricity prices paid by customers in six jurisdictions used by the BC Progress Board to assess the competitiveness of British Columbia (Edmonton, Montreal, Portland, San Francisco, Seattle, and Toronto). Upon further review, it has proved impractical to manage against and report on the proposed metric since factors beyond BC Hydro's control such as exchange rate movements and volatile energy prices in partially deregulated markets have been the primary drivers of annual changes in comparative pricing.

Consistent with our energy planning and capital investment philosophy, BC Hydro seeks to minimize costs for ratepayers over the long-term. The BCUC, through the Revenue Requirements Application process, provides oversight to ensure that BC Hydro is prudent in managing costs and continually strives to improve productivity. The table on page 11 compares BC Hydro's fiscal 2007 rates to those charged by utilities in the six jurisdictions identified by the BC Progress Board.

As a replacement for the price competitiveness metric, we are developing a productivity measure for inclusion in next year's Service Plan.

4. Customer Satisfaction

CUSTOMER SATISFACTION – LEAD OTHER COMPANIES IN OFFERING EXTRAORDINARY VALUE AND SERVICE

BC Hydro's aim is to offer extraordinary value and service to our customers, thereby retaining the trust and support of our customers, shareholder and regulator and ensuring a continued consent to operate.

Customer satisfaction level is a key indicator of how well our customers feel we are doing. Since customers' needs and expectations change over time, we must continually focus on improvement to ensure that customer satisfaction does not slip.

In addition, because BC Hydro is operating in a changing business environment – and is facing such challenges as an increasing gap between supply and demand, labour pressures, and the need to invest in our aging infrastructure – we will need strong customer support for the strategies required to meet these challenges and continue to deliver reliable power, at low cost, for generations.

NEAR-TERM STRATEGIES:

The near-term strategies required to ensure we deliver consistently excellent performance include:

- Maintaining our focus on the aspects of our service that matter most to customers, such as reliability.
- Improving service in high customer contact areas. This will include improving outage communication, call centre interactions, BC Hydro website content and functionality, complaint management processes and customer understanding of electricity and the services BC Hydro provides.
- Building upon our understanding of what customers need and expect and are currently experiencing. We will do this through increased customer research and by integrating such feedback mechanisms as inquiries and complaints, best practice reviews and comprehensive benchmarking.
- Using communications and other tools to ensure employees understand the customer experience and how their actions create optimal customer value and satisfaction.

Performance Measure	Actual F2005/06	Forecast F2006/07	Target 2006/07	Target 2007/08	Target 2008/09	Target 2009/10
Percentage of Customers scoring 8–10 out of 10	71	76	76	–	–	–
CSAT Index (Percentage of Customers Satisfied and Very Satisfied)	–	–	–	80	80	80

Description: The preliminary metric was based on the percentage of customers who scored BC Hydro 8, 9, or 10 out of 10 in response to a single "overall satisfaction with service" question. The new metric is an equally weighted index of the key drivers of customers' satisfaction with BC Hydro. These drivers include providing reliable electricity, value for money, commitment to customer service, acting in the best interest of British Columbians and efforts to communicate with customers and communities.

Rationale/Benchmarks: Analysis has shown that the preliminary metric had several limitations. As a result, BC Hydro prepared an "index" measure of customer satisfaction. Targets are intended to align with sustaining current customer satisfaction levels in order to retain trust and support of our customers and are based on total satisfaction (per cent of customers who are satisfied or very satisfied on a 4 point verbal scale). Although customer satisfaction levels have historically been strong it is anticipated that it will take focused effort to ensure this continues in our new challenging business environment. The targets are based upon preliminary baseline research and will require further confirmation.

BC Hydro has benchmarked our customer satisfaction level against both electric utilities and a group of non-electric companies with which our customers are familiar. Preliminary results suggest that BC Hydro's current satisfaction level compares favourably, with results generally in the top quartile.

5. People

WORKPLACE – TOP EMPLOYER FOR GENERATIONS

In order to successfully provide reliable power, at low cost, for generations, BC Hydro has to ensure it has the right people, with the right skills/values/motivation, in the right jobs at the right time doing the right work.

This is an increasing challenge due to tough labour markets as a result of aging demographics (provincial, national and global), strong BC and Alberta economies and a shortage of skilled trades in our industry. Utilities across North America face the same demand for labour, placing increasing pressure on a tight labour market. The cost of living in many BC locations also poses a challenge to recruitment, as does the geographic isolation of some locations. Also a challenge is that fact that, of BC Hydro's current workforce, over 700 employees are eligible to retire now and nearly one third will be eligible to retire in the next five years. Retirement eligibility is defined as the first date that an employee would be eligible to receive an unreduced pension.

As a result, we are focusing on enhancing how we attract, train, motivate and retain the best people and on supporting a positive workplace environment and increasing employee engagement to support the achievement of our long-term goals and short-term priorities.

NEAR-TERM STRATEGIES:

Over the next three years, we will:

- Utilize centralized, discipline-specific recruiters and further leverage the ABSU partnership to enhance the effectiveness of the end-to-end recruitment process in order to hire better and faster and increase the diversity of our workforce.
- Implement a targeted retention strategy that provides incentives for eligible retirees to remain at BC Hydro through a period of knowledge transfer and resource replacement.
- Continue strengthening our leadership team through specific development opportunities for high potential leaders and a focus on diversity, as well as through leadership training both for existing leaders and those on the frontline in their first leadership roles.
- Focus on meaningful employee engagement with emphasis on conservation and safety initiatives.
- Continue to build effective two-way communications between all levels of the organization.

Performance Measure	Actual F2005/06	Forecast F2006/07	Target 2006/07	Target 2007/08	Target 2008/09	Target 2009/10
Employee Engagement (Index score out of five on an employee survey)	3.33	N/A*	N/A*	3.5	3.7	3.9

Description: Mean score (out of five) of all 47 survey questions.

Rationale/Benchmarks: Employee Engagement is a consistent element of all the working definitions of Best Employer we have reviewed. The level of employee engagement is indicative of both employee satisfaction and productivity across the company, and can be measured by means of an employee survey. We selected this measure as indicative of a Top Employer. The Employee Engagement targets are consistent with moving BC Hydro towards being a Top Employer.

BC Hydro compares the employee engagement scores to those published by Work Canada. For comparison, the Employee Engagement score for 2006 Work Canada was 3.50 Overall, while Energy and Utility was 3.49. Companies in the 2005 top 25 in B.C. on the BC Business *The Best Companies to Work for in B.C.* survey scored 4.3; companies in the top 10 scored 4.46.

** BC Hydro moved the annual employee survey from February to November of each year to better align the timing with other work demands. We did not conduct a survey in November 2006 as there was not enough time to take action to demonstrate meaningful results since the February 2006 survey. As a result, no targets were included in last year's Service Plan and we will not report results for fiscal 2007.*

7. Financial Outlook Summary

This section includes high-level financial forecasts for BC Hydro's revenues and expenses, the key assumptions and risks considered in setting these projections, and the major capital expenditures that support the business.

Financial performance focuses on the financial return to BC Hydro's shareholder (the Province of British Columbia) and the electricity rates paid by customers. The economic value BC Hydro generates for British Columbia directly benefits customers and British Columbian residents.

In fiscal 2006, BC Hydro provided $642 million in cash transfers to the Province. This amount includes water rental fees (royalties paid for the use of provincial water resources), taxes and grants-in-lieu of taxes to the province and local governments, and BC Hydro's annual dividend to the British Columbia government.

Cost Drivers

BC Hydro's most significant costs for supplying domestic needs include the cost of energy and the capital investment costs of maintaining and expanding assets. The single largest cost is the cost of energy – which includes the cost of market energy purchases, natural gas costs, Independent Power Producer (IPP) purchases, water rental fees and transmission costs – to meet customer demand. On average, the cost of energy makes up between 40 and 45 per cent of BC Hydro's overall domestic costs. Pressure on this cost driver comes from the new resources required to meet the growth in customer demand; these new supplies – whether through BC Hydro's Power Smart or Resource Smart or contracts with IPPs – are significantly more expensive than electricity from our heritage assets.

BC Hydro's amortization costs and finance charges, derived from the capital investment needed to ensure the ongoing reliability of our assets, account for around one third of all domestic costs. The main pressures on these cost drivers are BC Hydro's aging assets, system expansion due to increasing customer demand, and increasing market interest rates.

More specifically:

1. GROWTH

BC Hydro expects that, if the province's strong economy and population growth continue as forecast, this growth will result in:

- further increases in energy demand
- increased cost of new energy to meet the demand compared to energy from existing heritage assets
- increased capital expenditures and operating costs for heritage assets on the Peace and Columbia River systems and to maintain and expand the capacity of the transmission, distribution and generation systems, and
- increased spending on demand-side management programs to increase the efficient use of electricity.

2. RELIABILITY

BC Hydro's assets are aging and many components of the system are nearing the end of their useful lives. Half of BC Hydro's generation capacity is over 30 years old. BC Hydro is therefore exposed to increased risk of equipment failure and reduced service reliability to our customers. To maintain existing assets operating effectively as and when required, BC Hydro expects to:

- increase capital expenditures to refurbish aging assets, resulting in higher amortization and finance charges
- increase maintenance expenditures to minimize equipment outages, and
- increase our vegetation management costs in response to the risk posed by the Mountain Pine Beetle within the distribution system.

3. ECONOMIC FACTORS

Short-term interest rates are expected to increase over the next few years; with 36 per cent of the debt subject to short-term rates, this will have an adverse impact on finance charges.

Due to construction market pressures, BC Hydro is already experiencing significant increases in labour and contractor rates and equipment costs, and we expect this to continue in the medium term.

Financial Performance and Key Assumptions

BC Hydro's operations are subject to a range of risks and uncertainties; actual financial results may differ materially from those described in this Service Plan. It is also important to consider the following when assessing BC Hydro's financial performance:

1. RATE STRATEGY

BC Hydro filed a *Revenue Requirements Application* with the BCUC in May of 2006 covering fiscal years 2007 and 2008. An interim increase of 4.65 per cent was granted effective July 1, 2006.

We filed an Evidentiary Update on August 31, 2006, which formed the basis of a proposed negotiated settlement. Under the negotiated settlement, BC Hydro's approved rate increase is 1.54 per cent for the period from July 1, 2006 to January 31, 2007. A further 2.1 per cent increase (including a 2 per cent rate rider to recover BC Hydro's accumulated deferral accounts) will take effect on February 1, 2007.

Customers will see a decrease of 1 per cent on their bills between the interim rate and the final rate increase of 3.64 per cent from February 1, 2007. They will also receive refunds from us of the approximately $50 million we collected over the interim rate period of July 1, 2006 to January 31, 2007.

The current forecast also includes further rate increases in fiscal 2009 and fiscal 2010 needed to cover BC Hydro's costs and earn our allowed return on equity. These rate increases are indicative only and could significantly change given economic and operating conditions, such as water inflows and reservoir levels that may be present at the time. These future increases are also subject to BCUC approval.

In March 2007, BC Hydro will file a *Rate Design Application* with the BCUC, which essentially updates our Terms and Conditions and costs assigned to customer classes since the last application was filed in 1991. The result of this application will not affect BC Hydro's total revenue.

2. Regulatory Deferral Accounts

BC Hydro has four regulatory deferral accounts, approved by the BC Utilities Commission (BCUC) on October 29, 2004:

- Heritage Payment Obligation Deferral Account
- Trade Income Deferral Account
- Non-Heritage Deferral Account, and
- BCTC Deferral Account.

These accounts – similar to those used by most regulated utilities – are used to capture specific differences between forecast costs and actual costs and are intended to smooth the overall effect on ratepayers of cost impacts out of BC Hydro's control. BC Hydro is subject to periodic reporting of changes in the regulatory deferral accounts. The ability to utilize any accumulated balances in future rate applications is subject to determination and approval by the BCUC.

Based on the terms of the approved negotiated settlement agreement described above, a rate rider of 2 per cent will be put in place effective February 1, 2007 for the purpose of recovering the current balances in the deferral accounts. Recovery of $50 million in fiscal 2007 and $55 million in fiscal 2008 is estimated. The total balance of the four regulatory deferral account balances at the end of fiscal 2006 amounted to $257 million.

3. Financing Strategy

BC Hydro forecasts the overall borrowing requirement to be approximately $770 million in fiscal 2007, $525 million of which will be used to refinance retired debt for a net requirement of $245 million. BC Hydro expects to borrow $300 million of the $770 million through long-term debt, with the remainder through available revolving borrowing capacity. During fiscal 2006, BC Hydro borrowed $400 million of new long-term debt.

As a Crown corporation, BC Hydro borrows all funds through the Province of British Columbia, and all of BC Hydro's debt is either held or guaranteed by the Province, resulting in a credit rating on our long-term debt similar to the Province's own rating of Aaa by Moody's and AA+ by Standards and Poors.

We forecast debt net of sinking funds as of March 31, 2007 to be $6.9 billion and will increase to $7.6 billion at the end of fiscal 2008. We forecast finance charges to be approximately $450 million in fiscal 2007, compared to actual finance charges of $436 million for fiscal 2006.

4. Change in Accounting Presentation for Regulatory Deferral Accounts to Conform with Generally Accepted Accounting Principles (GAAP)

In our fiscal 2006 year-end financial statements, we changed the presentation of financial information to comply with new GAAP requirements. The change required that all items with regulatory accounting treatment be presented on a gross basis in the income statement, with all transfers to regulatory accounts being shown on one line on the statement of operations. This had no impact on net income.

As a result of this change, the British Columbia government also changed its reporting of BC Hydro's financial results. It now records BC Hydro's net income as opposed to net income before regulatory account transfers. The forecast years are presented on a consistent basis as the audited financial statements.

Financial Outlook Summary

Revenues and Expenses – Financial Projections

BC Hydro's financial projections for revenues and expenses through fiscal 2010 were calculated based on our information as at December 2006.

CONSOLIDATED STATEMENT OF OPERATIONS

	ACTUAL	FORECAST			
($ millions)	F2006	F2007	F2008	F2009	F2010
Revenues					
Domestic	2,765	2,815	2,948	3,162	3,330
Trade	1,546	1,373	1,591	1,692	1,783
	4,311	4,189	4,539	4,854	5,113
Expenses					
Energy costs	2,488	2,218	2,503	2,663	2,817
Domestic	1,328	1,186	1,198	1,255	1,325
Trade	1,160	1,032	1,305	1,408	1,492
Operating costs	805	678	704	722	725
Operation	373	249	300	310	303
Maintenance	268	281	257	262	268
General and Administration	165	148	146	150	153
Taxes	147	147	154	157	160
Amortization	411	382	374	412	466
	3,851	3,425	3,735	3,954	4,168
Income Before Finance Charges and Regulatory Account Transfers:	460	764	803	900	944
Finance charges	436	451	480	501	531
Net Income Before Regulatory Account Transfers	25	312	324	398	414
Regulatory Account Transfers	242	88	41	(2)	2
NET INCOME	266	400	365	396	416
Debt[1]	6,651	6,942	7,593	8,289	9,032
Equity[2]	2,876	3,022	3,165	3,327	3,499
Capital Spending	610	843	995	1,296	1,373
Full Time Equivalents[3]	4,615	4,930	4,990	5,000	5,000

Notes:

[1] Debt figures are net of sinking funds.

[2] Includes Retained Earnings, Contributions arising form the Columbia River Treaty, Contributions in aid of Construction and Deferred Revenue.

[3] FTE levels are subject to adjustment based on detailed resourcing plans, including strategies to address succession and knowledge transfer related to retirement-eligible employees.

[4] Table may not add due to minor rounding.

Financial Outlook Summary

Key Assumptions

We used the following key assumptions in preparing BC Hydro's financial projections:

	Actual	Forecast			
KEY ASSUMPTIONS	F2006	F2007	F2008	F2009	F2010
Growth and Load:					
B.C. real Gross Domestic Product growth (%)[2]	3.80%	3.00%	3.00%	3.10%	3.10%
Domestic Load growth (%)[1]	2.41%	1.21%	1.88%	1.61%	1.53%
Residential Customer Load growth (%)[1]	2.83%	2.91%	2.52%	2.28%	1.85%
Light Industrial and Commercial Customer Load growth (%)[1]	2.60%	1.82%	1.78%	1.46%	1.70%
Large Industrial Customer Load growth (%)[1]	1.55%	(1.33%)	0.96%	0.97%	0.91%
Domestic Load (GWh):					
Domestic Sales Volume (GWh)	52,440	53,073	54,071	54,940	55,780
Line Loss and system use (GWh)	5,318	4,982	5,402	5,492	5,575
Total Domestic Load (GWh)	57,758	58,055	59,473	60,433	61,355
Energy Generation:					
Total System Water Inflows (% of average)[3]	99%	87%	100%	100%	100%
Sources of Supply to meet Domestic Load:					
Net Hydro Generation (GWh)[4]	44,851	44,394	45,972	46,300	47,178
Market Electricity purchases (GWh)	5,853	6,603	5,657	5,980	5,202
Independent Power Producers & long-term purchases (GWh)	6,741	6,084	7,485	7,796	8,651
BC Hydro Thermal Generation (GWh)	313	975	360	357	324
Sources of Supply for Domestic Load (GWh)	57,758	58,056	59,474	60,433	61,355
Electricity Trade Sales Volumes (GWh)	36,547	34,817	37,656	38,742	39,837
Average Mid-C price ($US/MWh)	$59.01	$45.17	$60.00	$61.67	$59.80
Average Natural Gas price at Sumas (US$/MMBTU)	$7.66	$ 6.13	$ 7.44	$ 7.61	$ 7.47
Financial:					
Canadian short-term interest rates[2]	4.32%	4.41%	4.24%	4.40%	4.81%
Canadian long-term interest rates[2]	3.18%	4.88%	4.84%	5.41%	6.01%
Foreign exchange rate (US$:Cdn$)[2]	0.8408	0.8821	0.8710	0.8828	0.8850
Rate Increases (%)[5]	0.00%	1.54%	0.10%	5.86%	3.74%
Rate Rider (%)[5]	0.00%	2.00%	2.00%	2.00%	2.00%

Notes:

[1] Includes the impact of PowerSmart programs.

[2] Economic assumptions from Ministry of Finance dated January 4, 2007.

[3] Water inflows for F2007 reflect the low water inflows experienced during the year. Future year inflows are assumed to be at average levels. The impact of a change in water inflows is shown on page 43.

[4] Includes Exchange Net.

[5] Rate increases for F2007 and F2008 have been approved by the BCUC. Increases for F2009 and F2010 are indicative only and are based on the increases needed to cover BC Hydro's costs and earn our allowed return on equity. These rate increases could significantly change given economic and operating conditions such as water inflows and reservoir levels that may be present at the time.

Various legal and regulatory matters are pending. Owing to the size, complexity and nature of BC Hydro's operations, it is not possible at this time to predict with any certainty the outcome of such matters. BC Hydro's annual and quarterly reports describe the most significant legal and regulatory matters (see www.bchydro.com).

Sensitivity Analysis

The following table illustrates the impact that key drivers – such as water inflows and gas prices – can have on BC Hydro's earnings. The combined effect of these drivers, which are largely beyond BC Hydro's control, is an income before regulatory transfer's range of as much as $200 to $800 million in each year.

The volatility between BC Hydro's plan and actual results will be partly mitigated through the use of regulatory deferral accounts as have been approved by the BCUC and addressed earlier in this document.

	2006/07		2007/08		2008/09		2009/10	
($ millions)	Low	High	Low	High	Low	High	Low	High
Range of Income subject to deferral account transfers:								
Inflows / Gas Prices[1]	(90)	35	(200)	315	(365)	255	(375)	250
Total Range of Ratepayer Risk	**(90)**	**35**	**(200)**	**315**	**(365)**	**255**	**(375)**	**250**

	2006/07		2007/08		2008/09		2009/10	
($ millions)	Low	High	Low	High	Low	High	Low	High
Weather[2]	(5)	5	(5)	5	(5)	5	(5)	5
Customer Load[3]	(10)	10	(25)	25	(25)	25	(25)	25
Pension Costs[4]	0	0	(5)	10	(10)	15	(20)	20
Foreign Exchange[5]	(0)	5	(5)	5	(5)	5	(5)	5
Interest Rates[6]	(10)	10	(25)	25	(25)	25	(25)	25
Total Range of Shareholder Risk	**(25)**	**25**	**(65)**	**70**	**(70)**	**75**	**(80)**	**80**

The Inflows/Gas Prices sensitivity noted above would be eligible for regulatory deferral account treatment in fiscal 2007 and fiscal 2008 (i.e., variances from the Plan approved by the BCUC would flow into the regulatory deferral accounts and impact rates in future periods). As a result, these items would be considered ratepayer risk. The other items on the table are considered shareholder risk, as these items have either not been approved by the BCUC for fiscal 2009 and 2010, or are not eligible for deferral account treatment.

Notes:

[1] High and low ranges are based on being within an 80 per cent probability band. The ranges fluctuate from year to year due to the impact inflow levels and market prices have on optimization decisions including reservoir levels. Water inflows are subject to transfers to regulatory deferral accounts for variations from the Plan approved by the BCUC as part of the Negotiated Settlement Agreement for fiscal 2007 and fiscal 2008.

[2] Assumes weather will be 5 per cent warmer or colder than normal and fall within this range approximately 80 per cent of the time. Weather is subject to transfers to regulatory deferral accounts for variations from Service Plan for fiscal 2007 and fiscal 2008.

[3] The customer load high and low ranges are based on being within an 80 per cent probability band. The range is smaller for fiscal 2007, as the range only reflects the uncertainty for the remainder of the year. Assumes change in customer load is met by market purchases at current forecast average purchase prices.

[4] Probable forecast assumes return on pension plan assets is 7 per cent, low forecast assumes return of 5 per cent and high forecast assumes rate of 10 per cent. There is no high/low range for fiscal 2007 as the main driver of BC Hydro's pension costs is based on the previous year's actual returns. Impacts on changes to the actuarial valuation are not reliably estimable at this time and the range of possibilities can be large.

[5] High and low are based on being within the 80 per cent probability band (translates to +/- 1 cent from expected). The impact of a change in the dollar exchange rate includes the impact on Powerex net cash flows, interest payments on U.S. dollar denominated debt, U.S. dollar sinking fund income and the BCUC-approved deferral and amortization method of accounting for foreign-exchange gains and losses on foreign denominated monetary items such as debt.

[6] A change of one percentage point in short-term interest rates changes finance charges by approximately $35 million. High and low are based on being within the 80 per cent probability band (translates to +/- 70 basis points from expected).

BC Hydro reports on actual performance in our Quarterly and Annual Reports, and provides updated forecasts each year in our Service Plan.

Capital Expenditures and Capital Expenditure Process

BC Hydro classifies capital expenditures as either sustaining capital or growth capital.

- Sustaining capital is required to meet targeted levels of customer and supply reliability. It includes expenditures to ensure the continued availability and reliability of our generation and distribution facilities. It also includes expenditures to support the business, such as vehicles and information technology.

- Growth capital is required to meet customer load growth and other business investments. It includes Resource Smart projects for the expansion of existing generation assets and expansion and reinforcement of our distribution system. The scope and timing of growth projects are uncertain as it is dependent on economic activity and customer demand.

BC Hydro, as the owner of the transmission system operated by the British Columbia Transmission Corporation (BCTC), funds the capital expenditures incurred by BCTC and these costs are included in BC Hydro's capital expenditures. Transmission capital projects are discussed in BCTC's Service Plan and are also subject to BCUC approval.

The table below shows actual and forecast capital expenditures for the sustaining and growth classifications:

CAPITAL EXPENDITURES

	Actual	Actual	Forecast			
($ millions)	F2005	F2006	F2007	F2008	F2009	F2010
BCH Excluding Transmission:						
Sustaining	220	276	355	420	547	668
Growth	163	206	282	363	373	383
BCH Total Excluding Transmission	383	482	637	783	920	1,051
Transmission:						
Sustaining	111	87	92	90	96	99
Growth	34	41	114	123	280	224
Total Transmission	145	128	206	213	376	323
Total BCH	528	610	843	996	1,296	1,374

BC Hydro's long-term goals and short-term priorities provide the basis to ensure that specific projects are aligned with our overall strategic direction. We then evaluate projects based on their ability to mitigate risk and/or enhance value to BC Hydro's operations. The risk factors considered for this purpose are financial, environmental, technological, timing, reliability, safety and supply.

In addition, we consider each capital expenditure based on the following key drivers:

- Reliability – projects that prevent any loss of existing capability and/or protect existing equipment, systems and system capability.
- Consent to Operate – projects that protect BC Hydro's consent to operate today and over the long-term (primarily environmental and social).
- Regulatory – projects that facilitate regulatory compliance.
- Risk Management – projects that identify and manage a variety of anticipated risks as good business practice.
- Cost Efficiency – projects that help reduce costs and/or protect existing revenues.
- Employee Safety – projects that identify and manage a variety of workplace risks/hazards in order to protect employees.
- Supply Expansion – projects that ensure BC Hydro responds effectively to requirements to meet load or customer growth.

BC Hydro follows both a bottom-up and top-down approach in our capital planning. We have procedures in place that oversee the capital planning process across the company and ensure that there is appropriate integration and trade-off among capital plans proposed by our various lines of business. This ensures that individual capital plans do not exceed the overall BC Hydro capacity for capital expenditures, and that all the necessary capital expenditures are undertaken to meet performance targets.

Approved Projects over $50 Million

BC Hydro has planned for the following projects, each with capital costs expected to exceed $50 million. These projects have been approved by our Board of Directors and costs are based on expected cost of completion based on current estimates of scope and market conditions.

MICA GENERATOR STATOR REPLACEMENT (UNITS 1-4)

BC Hydro is replacing the four stators at the Mica Generating plant with new stators to reduce the risk of forced outages and ensure reliability of supply. We installed Unit 4 in 2006; we will install the other three new stators over the next four years.

Scheduled completion: 2011
Total cost: $78 million (includes dismantling cost $1.4 million and retirement cost $1.4 million)

PEACE CANYON GENERATOR STATOR REPLACEMENT AND ROTOR MODIFICATION

BC Hydro is installing new stators and modifying existing rotors at the Peace Canyon Generating plant to reduce the risk of forced outages and make the plant safer for our employees. The project began in 2006.

Scheduled completion: 2009
Total cost: $69 million (includes dismantling cost $0.9 million and retirement cost $0.9 million)

ABERFELDIE REDEVELOPMENT

BC Hydro shut down the 80-year-old Aberfeldie facility in November 2006 for public safety concerns related to possible penstock failure. We have filed a proposal for replacing the current facility, which has a generating capacity of 5 MW, with a plant sized at approximately 24 MW with the British Columbia Utilities Commission BCUC. The BCUC will determine whether the project is in the interests of ratepayers.

Scheduled completion: 2008
Total cost: $95 million (includes dismantling cost $1.0 million and retirement cost $1.8 million)

COQUITLAM DAM SEISMIC IMPROVEMENT PROJECT

We received BCUC approval in 2003 to construct a new dam downstream of the existing Coquitlam Dam, which would be unsafe under a moderate to large earthquake. At that time, the estimated total cost was $40 million. The cost today has increased (and we have extended the schedule) for two reasons: the project now also includes relocating the Greater Vancouver Water District's consumptive water works ($14 million), and bids from contractors to complete the civil work were higher than estimated.

Scheduled completion: 2007
Total cost: $58 million (dismantling and retirement costs not applicable)

GORDON M. SHRUM UNITS 2 TO 4 STATOR REPLACEMENT

BC Hydro is replacing three stators at the Gordon M. Shrum facility that are at or near the end of life, and where rewinding is not technically feasible due to the condition of the cores. Alstrom Canada will supply and install the new stators over the next four years.

Scheduled completion: 2011
Total cost: $68 million (includes retirement cost $2.0 million)

PEACE CANYON G1 – G4 TURBINE OVERHAUL

We initially intended to overhaul only one turbine at Peace Canyon and use the results to assess the overhaul requirements on the remaining three units. The results of the first overhaul confirmed that components of the turbine were worn and damaged, we therefore made the decision to overhaul the turbines of the other three units as well in conjunction with the stator replacement and rotor modification project noted above. Further wear and damage would eventually have affected both reliability and availability of supply.

Scheduled completion: 2009
Total cost: $55 million (dismantling and retirement costs not applicable)

Contemplated Projects over $50 Million

The following projects over $50 million are being contemplated but are not yet approved and costs are based on current estimates of scope and market conditions. The range of costs represent the estimated probability band between the 50th and 90th percentile.

REVELSTOKE UNIT 5

The Revelstoke Generating Station was originally designed to be a six-unit generation station, but two bays were left empty. Approval has been received for $15.2 million for design work, regulatory approvals and consents, including work with First Nations, before starting construction on a fifth generating unit. This project is currently in the Definition phase.

Targeted completion: 2011
Total cost: $300 - 350 million

THE FOLLOWING PROJECTS ARE IN THE IDENTIFICATION PHASE:

JOHN HART REDEVELOPMENT

Key components of the John Hart generating facility, built in 1947, are at end of life and in poor condition. The facility also poses an earthquake risk, while forced outages could cause damage to local fisheries. Options at John Hart include rehabilitation or redevelopment, and constructing a bypass to protect fisheries.

Targeted completion: 2013
Total cost: $230 - 410 million

RUSKIN DAM SEISMIC IMPROVEMENT PROJECT

By today's seismic standards, the main body and gates of the Ruskin Dam – built in 1930 – are vulnerable to earthquakes. This project will mitigate earthquake risk and protect public safety. As an interim measure, we have lowered the reservoir by approximately 2 meters.

Targeted completion: 2011
Total cost: $100 - 165 million

RUSKIN REHABILITATION

The Ruskin Generating Station (commissioned in 1930) requires significant capital expenditures to support safe and reliable operation. We are completing a feasibility study to evaluate alternatives and estimate the cost of rehabilitating or replacing the powerhouse to meet current seismic standards and replace major generating equipment.

Targeted completion: 2014
Total cost: $160 - 270 million

Advanced Metering Infrastructure (AMI)

The Advanced Metering Infrastructure (AMI) program will install multi-function smart meters that will collect accurate meter readings automatically and regularly transmit them to BC Hydro. This will support conservation initiatives, operational improvements and enhanced customer service by providing timely consumption information, increased billing accuracy, and more proactive and expedient distribution system management.

Preparation of a preliminary business case based on conceptual designs and potential benefits has been completed. The business case validation and approvals are now in progress.

Targeted completion: 2012
Total cost: $480 - $530 million

Strathcona Seismic and Seepage *NEW*

BC Hydro is studying how to best mitigate piping and seismic risks at the Strathcona Dam. The dam may have experienced internal erosion and degradation since construction ended in the mid-1950s. In addition, the concrete intake structure, the adjoining conduit through the base of the dam, the embankment dam and the spillway may be at significant risk in an earthquake.

Targeted completion: 2010
Total cost: $50 - 70 million

Campbell River Flood Risk Control

Our options to address flood risks on the Campbell River System (the Strathcona, Ladore and John Hart dams) include re-evaluating flood safety requirements and providing flood passage enhancements as required. In the meantime, we have started work to upgrade the Campbell River gate systems to ensure the spillway gates are reliable and will operate as needed.

Targeted completion: 2011
Total cost: $100 - 150 million

Transmission Projects

Transmission projects over $50 million – which, if approved by the BCUC, will be financed by BC Hydro – are disclosed in BCTC's Service Plan.

8. Alignment with the Government's Strategic Plan

BC Hydro is aligned with the British Columbia government's Strategic Plan and Goals:

GOVERNMENT GOALS	BC HYDRO ALIGNS WITH THESE GOALS BY:
• To make British Columbia the best educated, most literate jurisdiction on the continent. • To lead the way in North America in healthy living and physical fitness. • To build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors	Providing significant revenues to government, through various means such as the dividend and water rentals, to fund priority services such as health care and education. Supporting charities and community organizations, as well as scholarships through direct monetary contributions both corporately and from current and retired employee organizations. Providing employment and educational programs to recruit and retain Aboriginal employees and $1 million toward the first ever National Chair in Aboriginal Economic Development at the University of Victoria. Maintaining a wide range of recreational areas including swimming, canoeing, fishing, hiking and mountain biking.
• To lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.	Operating with a long-term, triple-bottom-line business approach that values social, environmental and financial factors. Investing in clean electricity sources to meet growing demand. Promoting energy conservation and efficiency programs. Engaging with First Nations, governments and communities in provincial water management (Water Use Planning).
• To create more jobs per capita than anywhere else in Canada.	Providing low-cost, reliable electricity to maintain and enhance competitiveness of B.C. industries and businesses. Involving independent power producers in order to diversify energy supply, generate economic wealth and create jobs. Promoting energy conservation and efficiency programs which will create employment opportunities as products and services are developed. Recruiting a workforce more representative of B.C.'s diverse population, including a targeted employment strategy that will focus on training, recruiting and retaining Aboriginal employees.

9. Conclusion

BC Hydro's purpose is to provide reliable power, at low cost, for generations. There will be challenges ahead, but we are confident that, by focussing on our carefully delineated long-term goals and short-term priorities, we will be able to manage the sometimes delicate balance between environmental, social and financial bottom lines.

This Service Plan presents our assessment of the current business environment, both external and internal, as well as the risks and opportunities we see ahead. It also outlines the strategies we have put in place that enable us to quickly and efficiently evaluate our performance, report on our progress, and make any necessary improvements.

Challenges and choices will be inherent in making new, long-term supply decisions. Any new generation resources and transmission required to meet our future electricity needs will require significant lead-times for development. Given this, it is critical that we are acting now to address the emerging gap between supply and demand and to ensure energy self-sufficiency for British Columbia.

All British Columbians – customers, First Nations, stakeholders, our shareholder and regulator – will play a role in BC Hydro's future and in ensuring we create a lasting legacy of reliable power, at low cost, for generations.

Appendix – Subsidiaries

Powerex

Powerex Corp., BC Hydro's wholly-owned energy marketing subsidiary, is a leading marketer of wholesale energy products and services in western Canada and the western United States, and a growing niche player in other markets across North America. Powerex customers include utilities, power pools, municipalities, large industrials and energy marketers. Its energy marketing and trade activities help optimize BC Hydro's electric system resources and provides significant economic benefits to the people of British Columbia.

In recent years, Powerex has increasingly been purchasing electricity from outside the BC Hydro system to support BC Hydro's domestic needs and to meet its own trade commitments. These purchases are made from entities in British Columbia, western Canada and the United States. Powerex also markets, on behalf of the Province, the Canadian Entitlement to the Downstream Benefits of the Columbia River Treaty.

Powertech Labs

Powertech Labs Inc. operates on a commercial basis, providing consulting, analysis, testing and certification services and analytic tools and products to the electric and natural gas industries, their customers and suppliers worldwide. Powertech is a leader in high pressure gas storage and fuelling technology, alternative energy and analytic software for the design and secure operation of integrated electric power systems.

Powertech provides a centre for the innovative use of a wide array of technology including high voltage, high power, high current, mechanical, materials, coatings, chemical and civil technologies. What sets Powertech apart is the ability to combine expertise from different disciplines to provide optimum solutions for complex problems.

Powertech is registered for its Environmental (ISO 14001:2004) and Quality (ISO 9001:2000) Management Systems.

Other Subsidiaries

BC Hydro has created a number of other subsidiaries to help us manage risk in developing projects and/or contracting with third parties. The Boards and management of these subsidiaries are made up of BC Hydro employees, who perform these duties without incremental remuneration.

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BChydro

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BC
INNOVATION
COUNCIL

2007/08 – 2009/10 Service Plan

The Future of Innovation is Now

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Message from the Board Chair to Minister Responsible

Hector MacKay-Dunn, QC
Chair, BC Innovation Council

I am pleased to present BC Innovation Council's 2007/08 to 2009/10 Service Plan in accordance with section 13 of the Budget Transparency and Accountability Act.

In the past year, the Council has undergone a significant enhancement in leadership at the board level since the merger announcement in 2004 that saw the Innovation and Science Council of BC and the BC Advanced Systems Institute combine to form the BC Innovation Council. On March 30th, 2006, the Council achieved legal status with an amendment to its operating Act – the BC Innovation Council Act. With the amendment, the Province moved forward with appointing seven additional board members through an Order in Council. Joining Dr. Tim Walzak and myself are Mr. Greg Aasen, Dr. Max Blouw, Mr. Jock Finlayson, Mr. Richard Glickman, Dr. Ken Higginbotham, Mr. Greg Kerfoot, and Dr. Alan Winter. I am pleased to share the responsibility of guiding the Council with such an experienced, passionate and highly talented group of Council members who were personally invited by Premier Campbell to lead a reinvigorated Council.

As the Crown agency mandated by the Province to enhance commercialization and innovation in British Columbia, the board recognizes that one of its first important activities is to develop a strategic plan for the Council. The timing of completing the strategic plan however, extends beyond that of this Service Plan. The final strategic plan will more concretely define the Council's performance measures and targets, however, in advance of completing the plan, the Council has defined preliminary performance measures. As these are new measures for the Council, baselines and future year targets will be established in 2007/08.

This year's Service Plan continues to outline three broad goals and related activities under which the Council was initially established. They include increasing the development and commercialization of British Columbia-based technologies; enhancing competitiveness of British Columbia's business sectors and research capabilities; and increasing awareness of British Columbia's research and innovation opportunities and achievements.

Developing and commercializing technologies is a vital component of an innovation-based economy. The Council recognizes the importance of, and therefore plans to engage in, activities that will attract, develop and retain highly qualified technical personnel and technology business managers; transfer technologies from British Columbia's research institutions into industry; and attract early-stage funding for company creation.

There is also a significant opportunity for business sectors throughout British Columbia to utilize and incorporate innovative technologies and techniques into their processes and products to enhance competitiveness and access international markets. Innovations are fuelling British Columbia's economic growth. Working with industry and academia, the Council intends to strengthen linkages and help build the innovation capacity to advance the province's business sectors thereby improving their competitiveness and increasing prosperity in the province. The dedication and vision of our board members will help the Council identify and capitalize on future opportunities that have significant economic potential.

Finally, if British Columbia is to be known as a world-class technology centre, we will need to proactively communicate its opportunities and achievements in a meaningful way. The Council intends to play a role in partnership with complementary organizations such as Invest British Columbia and the major technology industry awareness groups to continue to convey the research and commercialization strengths of British Columbia. This also means that we encourage and fan the passion of our province's youth and their interest in science and technology in order that the next generation of researchers and technology entrepreneurs are well supported. Moreover, it is important that we, as a province, celebrate the achievements of British Columbia's world-class researchers and entrepreneurs who have contributed significantly to their fields. To that end, the Council will continue to host the province's premier awards event for research and innovation.

Message from the Board Chair to Minister Responsible

As the new board begins to engage in Council affairs, the primary challenge it has identified is the limitation in funding to put into action the necessary programs and initiatives commensurate with the mandate provided by the Province. Until such time a funding level commensurate with the ambitious goals presented in this Service Plan can be secured, the Council's Service Plan will continue to outline a status-quo three-year forecasted revenue and expense level.

This enhanced funding is essential to the Council's growth strategy. However, the board realizes that its service to the technology community is paramount and is therefore developing and will be introducing new programs funded through existing resources.

Key programs proposed include the Accelerated Commercialization Enhancement (ACE) Program designed to further develop technology management capacity in British Columbia's high-technology companies. In addition, the recently announced $2 million British Columbia Industrial Innovation Fellowship Program will support our provinces post-graduate students with support to pursue technology commercialization projects with industry partners.

All sectors and regions throughout British Columbia are important elements of the innovation community. Increased funding will allow for sector development programs that will enhance the province's high-technology industry by addressing key technology needs on a sector-wide basis.

This year, the Council was able to provide over $800,000 in one-time additional funding to all nine regional science, technology and innovation councils throughout British Columbia to augment base operational funding to seven of these councils and to provide new funding to two additional councils. With enhanced funding, the Council hopes to maintain this level of support on a continuing basis.

The strategies employed by the Council's predecessor organizations have helped develop some of today's most successful technology companies. As the Council develops new initiatives to promote innovation and commercialization, we are committed to working within the Province's existing policy framework to meet and exceed the needs of industry.

As I enter my second year as Chair, I continue to be enthusiastic of the assets of British Columbia's technology industry including our world-renowned research institutions, internationally recognized scientists and researchers, strong and varied technology sectors, experienced technology entrepreneurs, supportive government, close-knit technology community, and geographic proximity to international markets. It is the BC Innovation Council's mandate to leverage these assets and turn them into opportunities for British Columbia. It is our mission to create the conditions for top-tiered innovation and commercialization within British Columbia in partnership with government, industry and academia.

The Council would not be able to accomplish this without the support of Premier Campbell and the Council's responsible Minister, the Honourable Murray Coell. Thank you Premier Campbell for your vision for British Columbia to become one of the top-ten technology centres in the world and challenging the Council to play a central role in meeting that vision. To Minister Coell, thank you for you and your staff, especially Dr. Moura Quayle, Deputy Minister, for your Ministry's support and commitment as the board works towards putting the Council under firm footing.

I would also like to extend my thanks and appreciation to the technology community, especially our volunteers, sponsors and supporters, for your continued role in connection to the Council. As the board prepares to hit the ground running with a reinvigorated Council, we look forward to the years ahead for British Columbia as we broaden our industrial base to include a significant innovation-based economy.

The 2007/08 – 2009/10 BC Innovation Council Service Plan was prepared under the board's direction in accordance with the Budget Transparency and Accountability Act. The board is accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and Strategic Plan.

All significant assumptions, policy decisions, and identified risks, as of December 15, 2006 have been considered in preparing the plan.

Hector MacKay-Dunn, QC

Chair, BC Innovation Council

Organizational Overview

The BC Innovation Council ("Council") is a Crown agency of the Province of British Columbia. The Council was publicly launched in October 2004 as a result of an announced merger by the Province between two prominent technology organizations with an established history of developing the research and innovation sector in the province, the Innovation and Science Council of BC, a Crown agency, and the Advanced Systems Institute of BC, a non-profit organization.

The Council operates under the British Columbia Innovation Council Act, which is a result of an amendment, made official on March 30th, 2006, of the Act under which the predecessor Crown agency operated. Mr. Hector MacKay-Dunn, QC, is the Chair of the nine-member board of highly qualified and respected leaders in the technology community from academia and business, who lead the Council. The Council is responsible to the Honourable Murray Coell, Minister of Advanced Education and the Minister responsible for Research and Technology.

The Council operates with a staff of thirteen professionals as of January 31st, 2007, led by Dr. David Dolphin, Chief Executive Officer and Ms Cindy Lum, Chief Operating Officer.

It is anticipated that the assets and obligations of the Advanced Systems Foundation will be transferred to the Council prior to March 31st, 2007.

Mandate

The Council operates under four strategic mandate areas:

1. Accelerate commercialization programs for early stage and rapid growth companies to expedite the introduction of world-class technology based products to international markets;
2. Capitalize and expand technology transfer by getting research results with clear economic potential out of the university laboratory and research institutions and into the commercialization process as quickly and efficiently as possible;
3. Partner in the development and promotion of a province-wide strategy for science, innovation and technology development; and
4. Build public awareness for science and technology to recognize high achievement of the province's researchers, scientists and technology entrepreneurs and encourage the province's youth to consider pursuing research and technology-related careers.

Primary Business and Benefits to British Columbia

As the sole Crown agency in the province responsible for innovation and commercialization, the Council's primary business is to foster province-wide economic development and enhance British Columbia's ability to compete on a global scale. It provides a one-stop point of access and support to companies, educational institutions, technology industry awareness groups, federal science and technology agencies and university research labs involved in technology development and commercialization.

Innovation plays an integral role in British Columbia: from an economic standpoint in the natural resource sectors to the high-technology industry; from a social standpoint from education to health. The Council, being responsible for innovation and commercialization in the province, develops and encourages greater activity in these two areas to bring benefits to British Columbians by:

1. Supporting organizations throughout British Columbia to initiate regional economic development activities that assist the formation and further establishment of small, early-stage knowledge-based companies;
2. Encouraging youth in the province to pursue science and technology-related careers through fellowships, scholarships, awards and career events;
3. Coordinating and funding research and industry development activities on a sector-wide basis to strengthen British Columbia's competitiveness internationally in key sectors;
4. Recognizing innovative British Columbians who have made key contributions to research, technology development, science communications and entrepreneurship;
5. Fostering the development of key anchor companies and research centres in the province to achieve a critical mass of resources that are crucial to establishing British Columbia as a major technology centre.

Core Business Areas and Major Programs

The Council's core business areas and major programs relate to innovation and commercialization. With the newly appointed board in place, the Council is currently undertaking a strategic planning process that includes a re-assessment of its core business areas and major programs. It builds on the updated mission statement and takes into consideration documented needs of the research, technology and innovation sector. Until this process is finalized the Council will continue to provide services in the following three core business areas.

1. Sector Development

The Council supports the development of technology and/or research sectors throughout the province that create, improve and/or utilize science and innovation.

Key sectors supported include:

- Oceans, marine and energy;
- Aquaculture;
- Agriculture, food and bioproducts; and
- Health product and functional food.

The Council is currently assessing additional sectors to play a greater role in increasing the competitiveness of the province's industries internationally, using a market-driven approach. The current sector development activities are anticipated to expand as the Council moves forward with plans commensurate with proposed enhanced funding.

2. Program Management

The Council manages a number of programs and initiatives that support research, innovation and industry/regional development throughout British Columbia.

Key programs include:

- Office of International Partnerships (OIP), a new office of the Council established in March 2006, to assist companies in developing business in international markets;
- Science & Technology Fund supporting base operations of seven regional science, technology and innovation councils and six university-industry liaison offices and technology transfer centres at key post-secondary institutions throughout the province;
- Program Delivery on behalf of ministries and public agencies to enhance research and technology development in respective sectors;
- Fellowships and Scholarships; and
- Natural Resources and Applied Sciences Research Endowment Fund, a $50 million endowment fund which the Council stewards, until the time when the government appointed Advisory Committee recommends a permanent governance structure.

3. Communication and Awareness

The Council communicates and brings awareness of the province's research and innovation capabilities, accomplishments and opportunities to various audiences including students, industry, academia, government and the general public.

Key programs and initiatives include:

- BC Innovation Council Awards;
- Student Career Development Program;
- Science Achievement Awards;
- Council Communications Program.

Future Programs

To meet documented needs of the technology industry, leverage the province's innovation assets and turn them into opportunities for British Columbia, the Council is developing new programs and initiatives. A one-time funding enhancement enabled Council to expand its support to all nine regional Science and Technology Councils. The Council is working actively with the Ministry, to at least maintain these funding levels.

New programs and initiatives commensurate with the mandate provided by the Province are being introduced in the following areas:

- Accelerated Commercialization Enhancement (ACE) Program that is designed to increase the management expertise in British Columbia's technology community, expand the pool of highly skilled technology managers, increase opportunities for technology management personnel, and thereby improve investor confidence to attract more private investment capital that is critical to successful company development.

  The program is planned to be introduced under limited resources as a pilot program. Should enhanced funding be secured, as a result of the success of the pilot, the program will be expanded.

- To increase graduate student talent in the combined areas of applied research/technology development and business/commercialization expertise to build capacity in British Columbia, the Council recently announced the British Columbia Industrial Innovation Fellowship. The Fellowship links highly qualified talent working on groundbreaking research initiatives that have a high potential for commercialization with industrial partners, resulting in improved commercialization and an increased talent pool to foster innovation and economic development in the province. The Fellowship emphasizes balanced learning between research/technology development and business/commercialization.

  The $2 million program will be expanded, should enhanced funding be secured.
- A Sector Development Program, whereby potentially strong sectors in both traditional and high-technology areas are further developed by supporting key technology developments that help the sectors become more competitive internationally. Engagement of a large proportion of companies in a sector will ensure that targeted contributions will benefit an entire sector, encourage economic diversity and put British Columbia at the forefront of both established and new industries. The support is geared to an entire industry where stakeholders are collaborating to increase their competitiveness by working together on technology-based solutions.
- The Regional Innovation Enhancement Support Funding is a planned initiative to address the shortage of innovation support for the regions throughout British Columbia and their unique needs. It facilitates access to and leverage of key commercialization programs, including the new Council programs and initiatives, such as ACE and the BC Industrial Innovation Fellowship. Funding support will be directed to the nine regional science and technology councils and the University Industry Liaison Offices to help create stronger, more diverse economies in the organizations' respective regions.

The Council will be introducing the ACE program and the BC Industrial Innovation Fellowship in the short-term on a limited basis, and their future scope will be determined by the Council's annual operating budget.

Principal Partners, Clients, Stakeholders and Market

The Council develops and implements many of its initiatives in-house. In cases where specialized expertise is required to appropriately carry out initiatives, it may contract work to outside contractors. In addition, the Council partners with a number of government agencies at the provincial and federal level, research institutions and industry and regional groups to carry out its activities under its core business areas through sponsorships, contribution agreements and other forms of support. Using partnerships as a core principle, the Council strives to approach issues in the innovation sector by building and maintaining relationships with various groups including industry, academia and government and not-for-profit science and technology organizations in managing processes, programs and general activities.

The Council works with a number of volunteers, organizations and professionals to carry out its activities. Volunteers are an important resource to the Council and deserve special recognition. They include:

1. Scientists and research experts who give countless hours to review proposals, participate in workshops and discussions and provide expert advice on issues pertinent to research and scientific merit;
2. Government representatives who provide a broader perspective on the issues;
3. Representatives from public and private research institutions and labs who offer their expertise in research, technology transfer and commercialization; and
4. Prominent technology entrepreneurs who have started and developed some of British Columbia's most successful high-technology companies.

As an organization with a province-wide mandate, the Council serves a number of clients in its primary market defined as the research, technology and innovation sector in British Columbia. The Council's client-base includes companies, post-secondary institutions, high school students, regional science, technology and innovation councils, technology industry awareness groups, federal science and technology agencies and public and private research labs.

Location

The Council's offices are located in downtown Vancouver at the Leading Edge Technology Centre. It is co-located with leading technology industry associations and other complementary organizations that support research, technology and innovation in British Columbia.

These organizations include:

1. Academy for Technology CEO's (AceTech)
2. BC Bioproducts Association
3. BC Biotech
4. BC Technology Industries Association (BC TIA)
5. BC Technology Social Venture Partners (BCT SVP)
6. Wireless Innovation Network of BC (WINBC)
7. Lion's Gate Learning Alliance
8. eLearning BC
9. CNRG International Inc.
10. NRC-IRAP (National Research Council Canada - Industrial Research Assistance Program
11. BC Nanotech Alliance
12. BC MedTech (BC Medical Technology Industry Association)
13. Invest BC
14. Leading Edge Endowment Fund

As an organization with a province-wide mandate, the Council's activities span British Columbia depending on the program and initiatives undertaken. Its programs and initiatives are open to all clients throughout the province. The Council also collaborates with and funds organizations outside of the Lower Mainland (e.g. regional science councils and university-industry liaison offices) to deliver quality programs and initiatives in-line with the Council's goals and objectives.

Governance

The Lieutenant Governor in Council through Order-in-Council appoints the members of the Council board and designates the chair from among the board members. An additional seven individuals received Order-in-Council on March 30th, 2006, bringing the total board membership to nine. The new appointments are for three year terms.

The chair is the head of the board, and through the Minister of Advanced Education in his capacity as Minister responsible for Research and Technology, reports to the British Columbia Legislative Assembly. The executive management team consists of the Chief Executive Officer and the Chief Operating Officer, who jointly share the role encompassing both personnel and operational issues.

The board serves in the following capacities:

- Setting the strategic direction and approving appropriate plans from management;
- Recruiting, empowering and monitoring the executive management;
- Shepherding / safeguarding the Council's resources including approving major financial decisions, ensuring internal controls are in-place and address areas of risk; and
- Measuring corporate performance and accounting regularly to the stakeholder including complying with applicable laws and maintaining ethical standards.

As of January 31, 2007 board members include:

- Hector MacKay-Dunn, Q.C., Chair[2]
- Greg Aasen
- Dr. Max Blouw[1]
- Jock Finlayson[1]
- Richard Glickman[2,3]
- Dr. Ken Higginbotham[1]
- Greg Kerfoot[2]
- Dr. Tim Walzak[3]
- Dr. Alan Winter[3]

[1] Audit and Finance Committee

[2] Governance and Board Nomination Committee

[3] Human Resources and Compensation Committee

Board Committees

The Audit and Finance Committee assists the board in fulfilling its obligations and oversight responsibilities relating to the audit process, financial reporting, the system of corporate controls, and risk management, and when required, makes recommendations to the full board for approval.

The Governance and Board Nomination Committee reviews the policies and practices of the board, ensures the board's continuing ability to fulfill its legislated mandate, and implements effective due diligence over the governance of the Council.

The Human Resources and Compensation Committee assists the board in fulfilling its oversight responsibilities with respect to the human resources policies and practices of the Council.

Governance Principles

The Council's board has adopted the guiding principles outlined in the Province of British Columbia's Governance Framework for Crown Corporations in establishing a framework from which to operate. These principles include:

- Stewardship, leadership and effective functioning of the board;
- Clarity of roles and responsibilities;
- Openness, trust and transparency;
- Service and corporate citizenship;
- Accountability and performance; and
- Value, innovation and continuous improvement.

Governance Disclosure

The Council's governance documents and related disclosure practices are available on its website at the following link http://www.bcinnovationcouncil.com/database/img_4581e49c3c819.pdf.

Senior Management Team

The Council's senior management team consists of:

• Chief Executive Officer	Dr. David Dolphin
• Chief Operating Officer	Cindy Lum
• Director of Programs	Sam Nakai
• Director of Finance & Administration	Philip Reeves
• Director of Business Development	vacant

Alignment with Government's Strategic Plan

The Province of British Columbia has established its five great goals for a golden decade. How the Council fulfills these goals are listed below.

Government's Goals within Strategic Plan	BC Innovation Council's Activities
To make B.C. the best educated, most literate jurisdiction on the continent.	The Council develops science and technology expertise in British Columbia by supporting, encouraging and communicating with elementary to graduate students pursuing science, research or technology entrepreneurship and by increasing public awareness of the role of science and technology.
To lead the way in North America in healthy living and physical fitness.	Science and research play a major role in healthy living. The Council supports research and innovation in health and fitness related fields to contribute toward breakthroughs in health research and support of the development of health-related technologies.
To build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors.	The Council's commercialization initiatives include technologies that address social needs. The Council's awareness and recognition initiatives have highlighted the leaders in research and innovation who play a major role in addressing social needs through technology development.
To lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.	The Council recognizes the need for further research to bring credible scientific information to deal with environmental management issues. Its activities in the aquaculture, bio-products and oceans/marine sectors demonstrate this and the Council intends to support and encourage further initiatives toward this goal through new commercialization and sector development programs.
To create more jobs per capita than anywhere else in Canada.	Investments in research, technology transfer and commercialization result in innovation and improved competitiveness; jobs in the research and innovation sector bring value to the province's economy and way of life. Development of the sector creates more demand for higher paying, more technically oriented jobs for British Columbians and for BC-based innovative products and services. By developing the sector further, the Council will ensure that more jobs are available for British Columbians.

Alignment with Government's Strategic Plan

The Province of British Columbia has established its five great goals for a golden decade. How the Council fulfills these goals are listed below.

Government's Five Great Goals	BC Innovation Council Goals	BC Innovation Council Objectives
To make B.C. the best educated, most literate jurisdiction on the continent.	Increase the Development and Commercialization of British Columbia-based Technologies	Support development of highly qualified personnel and business expertise
	Increase Awareness of British Columbia's Research and Innovation Opportunities and Achievements	Increase exposure of elementary and secondary school students to science and technology
To lead the way in North America in healthy living and physical fitness.	Increase the Development and Commercialization of British Columbia-based Technologies	Enhance technology transfer from research institutions
	Enhance Competitiveness of British Columbia's Business Sectors and Research Capabilities	Identify and support research and innovation opportunities in British Columbia
To build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors.	Enhance Competitiveness of British Columbia's Business Sectors and Research Capabilities	Identify and support research and innovation opportunities in British Columbia
To lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.	Enhance Competitiveness of British Columbia's Business Sectors and Research Capabilities	Facilitate BC industry sectors to access, develop and adopt innovative technologies that will enhance competitiveness
		Identify and support research and innovation opportunities in British Columbia
To create more jobs per capita than anywhere else in Canada.	Increase the Development and Commercialization of British Columbia-based Technologies	Enhance technology transfer from research institutions
		Assist early stage companies to attract funding
	Enhance Competitiveness of British Columbia's Business Sectors and Research Capabilities	Facilitate BC industry sectors to access, develop and adopt innovative technologies that will enhance competitiveness
		Identify and support research and innovation opportunities in British Columbia
	Increase Awareness of British Columbia's Research and Innovation Opportunities and Achievements	Communicate British Columbia's opportunities and achievements in research and innovation

Strategic Context

The Council functions in a promising operating environment of a prosperous economy, affecting all sectors. This affords the opportunity to invest for the future and increase British Columbia's long-term competitiveness through innovation. Both government and industry recognize that innovation is the catalyst for competitiveness and growth and have made increasing the province's innovation capacity a priority. The Council's role is to facilitate this process by continuing existing, and developing new, initiatives that enable all sectors and regions of British Columbia to benefit from the province's strengths in technology development and innovation.

Mission

Resulting from the still ongoing strategic planning process, and with input from the Ministry of Advanced Education and Ministry responsible for Research and Technology, the Council adopted a new mission statement:

"To create the conditions for top-tier innovation and commercialization within British Columbia in partnership with government, industry and academia."

Values

The Council depends on its values as an important guide for its operations as a public sector organization. The Council is:

1. Entrepreneurial by identifying the needs of its primary market - the research and innovation sector in the province - and ensuring that it carries out market-driven activities.
2. Innovative by pursuing opportunities that ensure its resources are effectively leveraged and sustainable activities are developed.
3. Accountable for its activities and ensures efficient, transparent and fair processes are followed.
4. Partner-driven in its collaborations with other organizations in order to bring value-added benefits to its primary market.

Planning Context and Key Strategic Issues

This Service Plan was developed during the time that the Council's strategic planning process, being led by the newly appointed board, was still in progress. The Council will adjust and finalize goals, objectives and strategies that position it for expanded service delivery once the Council's strategic planning process is finalized. The Council will also ensure that its goals and activities outlined in the Service Plan reflect the Provincial Research and Innovation Framework, which is currently under development. The guiding document that establishes the relational framework between the Province and the Council, the Shareholder's Letter of Expectation, will be finalized once the Council's strategic plan is completed.

A number of strategic issues impact the Council's planning and have been assessed in the process of developing this plan. They have been identified as part of Council's strategic planning process and reflect ongoing consultations with Council's client base, stakeholders and partners, recent reports on innovation and commercialization in Canada and the Province, and Council's own analysis of technology development, commercialization and innovation in the province and other jurisdictions.

Significant Risks and Opportunities

The Council has emerged from a state of transition, with strong support from the government and the research and innovation community. Demonstrating the importance of a multi-disciplinary board in order to lead the significant expansion plans, a group of leading executives in the innovation community whose backgrounds encompass world-class research and development and technology entrepreneurship have committed to guide the Council. The Act that officially established the BC Innovation Council was amended in March 2006. The Council is currently developing a strategic plan with the board and intends to expand significantly commensurate with the broad mandate it has been given by the Province to lead the development of the innovation sector in British Columbia.

Innovation is widely acknowledged as a major driving force of economic and social benefit. There is a strong linkage between innovation and economic development. Most innovative industries are proven to have higher productivity, a faster growth rate and higher paying and quality jobs[1]. With increased productivity, society will be able to maintain and raise its standard of living.

A key component to innovation is the commercialization of innovative technologies that has been recognized in Canada as well as other jurisdictions as a vital economic driver. The Council is positioned to participate on behalf of the Province as the central agency that connects people who make commercialization happen and the Province's efforts to encourage it. This includes facilitating development of early-stage high-technology companies and private industrial research as well as focussing on transferring technologies from post-secondary institutions, where a significant majority of the research conducted in British Columbia occurs, to industry.

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[1] The Conference Board of Canada. "Exploring Canada's Innovation Character: Benchmarking Against Global Best", June 2004, page 2.

While successful innovations have been commonly associated with the high-technology sector, innovation is not exclusive to only this sector. Innovation applies to all sectors in the economy including the traditional goods-producing industries and natural resources sectors in order to create wealth and improve the standard of living amongst British Columbians. Economic diversification based on strong competitive advantages in all technology sectors will drive the establishment of a strong knowledge-based economy in the province.[2] Many of the external factors indicate that the Council functions in a relatively stable operating environment with opportunities for growth in specific areas that will further develop British Columbia's innovation sector.

Economic Factors[3]

- British Columbia's level of real GDP per capita is fourth among the Canadian provinces.
- Although GDP per capita is below the Canadian average, the overall trend is that it is increasing. British Columbia's annual growth rate of real GDP per capita ranked 3rd and was ahead of the national average in the last three years.
- Canada ranks 17th out of twenty-three OECD countries in terms of overall productivity.
- Labour productivity in British Columbia is below the national average and overall growth in productivity in both Canada and British Columbia is stagnant.
- Over the last decade, British Columbia's employment to population ratio has been relatively constant at approximately 70% which ranks the province 11th out of 31 jurisdictions.

Technology Sector[4]

- British Columbia's high technology sector continues to rise, with high technology GDP rising 4.6% from the previous year, to over $8.3 billion (1997 constant dollars).
- Despite the growth in GDP, employment in the high technology sector in BC fell 2.4% last year.
- It is predicted that available venture capital funding will begin to decline in 2010.[5]

Research and Development

Canada's private investment in research and development is 53% and declining; compared to the 70% benchmark for OECD countries.[6]

- In 10 years preceding 2002, the province with the largest increase in Canada with respect to research and development spending as a percentage of GDP was British Columbia with a 37% increase[7].
- Canada ranks 18th out of 29 OECD countries in graduation rates at a doctoral level[8].
- $224 million was allocated from the 2006/07 Government of British Columbia budget towards research and innovation in addition to $130 million over the next three years in post-secondary seat expansion.

Potential Impact of Risks and Mitigation Strategies

In response to the demonstrated need for people with appropriate technical and management skills to commercialize new technologies and successfully grow companies and/or adapt new knowledge for improved competitiveness, the Council intends to expand its human resources development initiatives that foster technical and entrepreneurial skills and increase business capacity in these areas. The recently announced British Columbia Industrial Innovation Fellowship addresses gaps in technical and management capacity by increasing the pool and quality of personnel with the ability to manage the development and commercialization of technologies for international markets.

With the strong interest in innovation and commercialization, the Council continually receives requests for support of early-stage companies and in response is developing appropriate programs to encourage private investment into these types of companies. The new Accelerated Commercialization Enhancement Program will provide a framework program to increase management capacity of technology companies and improve investor confidence to attract private investment capital to help develop more successful companies. Moreover, the overall interest in the technology community to showcase innovation has enabled the Council to continue its recognition program and student awareness.

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[2] British Columbia Integrated Technology Initiative. "Executive Summary". April 2006, page 3.

[3] All figures in this section from BC Progress Board, "Fifth Annual Benchmarking Report", December 2005 and BC Progress Board, "Interim Benchmarking Report 2006", June 2006.

[4] All figures in this section except where noted from BC Stats & Leading Edge BC, "Profile of the British Columbia High Technology Sector", January 2006.

[5] National Research Council, "Looking Forward: S&T for the 21st Century", August 2005.

[6] Ibid.

[7] BC Progress Board, "Fifth Annual Benchmarking Report", December 2005, page 81.

[8] OECD, "Science, Technology and Industry Scoreboard 2005".

With the need for further resources directed at developing research capacity in the province, the Council intends to continue supporting a number of research projects and coordinate research opportunities through its various research funds and sector development work. A new Sector Development Program currently being developed will help excel international competitiveness of entire sectors through collaborative technology development initiatives.

The growing interest in companies to compete internationally has encouraged the Council to establish an Office of International Partnerships that will assist companies to enter new markets and form research project partnerships with international researchers.

Increased services to the research and technology community provides a unique opportunity for Council to establish itself as the one-stop point of access and support for technology transfer and commercialization and build the partnerships and collaborations to provide the services and programs that will help grow a world-class technology base.

Capacity issues

The key issue facing the Council is the limited funding and related limited human resources to effectively fulfill its intended purpose and mandate by increasing its activities.

To pursue the ambitious growth strategy and achieve the anticipated five to ten fold increase of activities over the next three years, the Council requires an expansion of its funding and organizational structure. Such expansion presents risks and the Council will manage such risks as outlined below.

> The Plan presents a financial forecast consistent with previous years to comply with Service Plan guidelines. However, Council is anticipating securing additional support over the next three years. The Council secures its revenues from various sources including contributions from the Province of British Columbia, as well as other public and private organizations for project-specific and/or program delivery services. In light of the fiscal restraint and the many priorities of the Council's various funders, the securing of funds to support such expansion requires careful planning. Plans include managing with status quo funding in the next fiscal year while the expansion strategy is being pursued. As part of its strategic planning process, additional sources of revenues and partnership agreements are being identified and pursued. In addition, the Council continues to communicate with potential funders to present justifiable plans and develop leveraging opportunities to ensure utmost efficiency of all contributions.
>
> Because the Council operates in an inter-dependent fashion with partners, collaborators and other complementary organizations to deliver value-added services, changes within a partner organization may impact the efficiency of some of Council's initiatives. These are external factors outside the control of the Council except in ensuring that the Council follows established guidelines for signing clear agreements that attempt to mitigate this risk.
>
> The Service Plan calls for an expansion of human resource capacity at the Council to manage new initiatives and activities. Of primary importance is developing the Council's capacity to ensure that the right expertise resides within the organization. The Council will continue to expand its human resources capacity in 2007/08 to enable the anticipated expansion of activities in this and subsequent years as funds become available. Council strategies will include engaging experienced personnel agencies for recruitment, reviewing and updating compensation guidelines, employee development, and providing a balanced work-life environment.
>
> The Council recently began the search for a new Chief Executive Officer. As the current CEO steps down from his temporary position, the Council will undergo a transition period when the newly hired CEO begins his/her term and familiarizes himself/herself with the new position and organization.

The human resources capacity issue and funding risks are important and will have significant impact on the future direction of the Council. A status quo level for the Council will adversely affect its ability to meet the mandate that has been given by the Province. The Council intends to move forward with introducing new initiatives in 2007/08 as funding is secured.

Key Strategic Issues

To meet identified needs in the commercialization and innovation process at the business level and in key strategic areas, the Council is and will be addressing these needs through new programs that are suitable within existing government policies.

The Council will address meeting identified needs and optimizing opportunities to leverage external funds as part of its current strategic planning process. To help expand the R&D investment level in the province and help develop the research, development and production facilities from laboratories to technology parks that form the basis of viable, self-sustaining clusters of expertise and technology development, it will review and develop options that maintain a market-based approach, include leveraging as a condition of funding, and serve innovation and technology commercialization needs at the company level. New initiatives being identified as part of the strategic planning process will balance the differing needs and policy considerations.

Goals, Objectives, Key Strategies, Measures and Targets

The Council has defined three key goals as follows.

Goal 1: Increase the Development and Commercialization of British Columbia-based Technologies

The Council's primary mandate is commercialization of British Columbia's world class technology-based products that underlie a vibrant innovation culture and a prospering economy. Commercialization of technology covers the process from research and technology development to market introduction and sales growth. British Columbia has gained a strong international reputation for having established world-class expertise and innovation at its universities and research institutions. This has spawned numerous successful companies and enabled the development of several emerging technology industries in the province. A long time partner in this process through its predecessor organizations, the Council will continue to implement a province-wide coordinated strategy to further the commercialization of British Columbia's technology, by focusing resources on issues of major importance to universities, research institutions and companies. These include applied technical and business skills development, improved access to venture funding at the early stage, strengthened research - industry linkages and increased commercialization of technologies across business sectors. The Council has developed new initiatives to address these gaps. The Accelerated Commercialization Enhancement (ACE) Program and the BC Industrial Innovation Fellowship Program, as described previously, are examples of two immediate programs the Council will be introducing to address these issues.

Measure	Definition	Forecast: 2007/2008	Forecast: 2008/2009	Forecast: 2009/2010
Number of technical and management personnel completing Council programs.*	Internal count of the number of awardees of Council's technical and management fellowship/scholarship/ training programs whose final reports are approved.	Establish new baseline at the end of 2007/08 and determine target increase for subsequent years.	Target increase to be determined for 2008/09 in 2007/08	Target increase to be determined for 2009/10 in 2007/08.

* This is a preliminary performance measure that is subject to change depending on the outcome of Council's Strategic Planning process, which is due to be completed in spring 2007. Additional performance measures and targets under this goal will be developed during the course of the 2007/08 fiscal year, and will be included in the Council's 2008/09 - 2010/11 Service Plan.

Objective 1.1: Support development of highly qualified personnel and business expertise

Access to educated and experienced personnel is a key requirement for commercialization, and is one of the most-cited issues by the technology community and confirmed in recent reports on commercialization and innovations. The Province needs to increase the availability of highly qualified personnel (HQP - includes students, post-doctoral fellows and research associates in scientific fields), as well as professionals with the entrepreneurial mindset and specific experience necessary to bring innovations out of the research lab, through development, and into the marketplace. This objective focuses on the importance of highly trained technical researchers and business managers crucial to the development of future innovations and establishment of successful companies.

Strategies to support HQP and business expertise development include:

- Distributing scholarships, fellowships and other awards that leverage external sources of funds, industry and other resources to develop and retain research and business expertise in the province's innovation sector;
- Introducing a leveraged fellowship program that links researchers and companies and is geared to groundbreaking technologies with a high potential for commercialization;
- Reviewing technology companies' areas of critical need in terms of HQP and business expertise, and facilitating access to such individuals, through development and facilitation of recruitment initiatives that leverage external support from federal and industry sources;
- Introducing programs that will develop management skills required to improve the efficiency of bringing innovative technology products and processes to market and help attract more private investment;
- Developing initiatives that provide for educational opportunities for personnel to gain international business expertise in key geographic regions;
- Developing and supporting workshops, publications and other communication methods that educate researchers on the current research needs in various sectors of importance to British Columbia.

Objective 1.2: Enhance technology transfer from research institutions

The province's research institutions are important generators of innovations that drive British Columbia's new economy. British Columbia's major universities have excelled at transferring their technologies to industry through various mechanisms such as creating spin-off companies and licensing. The Council will continue to support these efforts and will work in partnership with the university-industry liaison offices (UILOs), regional science councils and other appropriate organizations to provide value-added activities to further enhance and enable technology transfer for post-secondary institutions. This objective focuses effort on much of where research is currently occurring in the province, the post-secondary institutions.

Strategies to enhance technology transfer include:

- Continuing and increasing funding to UILOs and regional science councils through the S&T Fund;
- Partnering with UILOs and research institutions to facilitate cross-institutional development of technology solutions to identified industry needs;
- Supporting development of technologies to a more mature stage (adding value to processes and products) at the research institution before they are transferred to industry;
- Exploring innovative partnerships with industry, government and international communities to assist in technology transfer;
- Developing research databases in various sectors to inform and facilitate collaborations between industry, government and academia.

Objective 1.3: Assist early stage companies to attract funding

The province derives the greatest benefit from new technologies, when they are commercialised through local companies. Such companies are usually formed around an innovative technology and grow over a number of years. A prominent challenge in this process is the ability for a start-up company to raise capital during its early stage of development. They lack the business experience, resources, and maturity of technology product/services to attract early stage capital. This objective addresses this critical gap of early stage financing and also addresses other areas of corporate and technical development in the company such as management expertise, market analysis, intellectual property strategies, etc.

The Council will expand its efforts and provide a variety of initiatives to help British Columbia technology companies become more "investor ready" and facilitate a greater access to seed capital.

Strategies to assist early stage technology companies attract capital include:

- Investigating options and developing initiatives that improve management skills and increase investor confidence to address the early stage investment gap;
- Creating and leveraging opportunities for management to obtain assistance in preparing for funding, through such programs as formal educational opportunities, expert advice and mentorship support;
- Facilitating opportunities for companies to connect with and attract technical expertise and skilled management inter-provincially, nationally and internationally;
- Creating opportunities that connect companies with investors, partners, sales channels, other technology developers etc. across the province, Canada and internationally;
- Facilitating investments from private capital, through such potential initiatives as providing technical due diligence to private investors and hosting trade missions;
- Establishing key relationships with senior government officials to assist companies in developing business in international markets through the Office of International Partnerships.

Goal 2: Enhance Competitiveness of British Columbia's Business Sectors and Research Capabilities

Commercialization of innovative technologies (Goal 1) forms the base of growing new technology-based industries in British Columbia. Of equal importance, innovation has a major role in addressing competitiveness in other industries. British Columbia is increasingly operating in a global context, and it is therefore important to develop initiatives that will create and maintain a competitive edge in established and large industry sectors, that often compete in commoditized world markets, such as forestry, fisheries, agriculture, mining, and energy production. Such gains in competitiveness through innovative new products and services and / or productivity gains, require new technology, information or expertise to be identified, developed, and adopted.

BC Innovation Council has longstanding connections and experience with the innovation process and research institutions. The Council will leverage these links by assisting companies and sectors in established and emerging industries throughout British Columbia in identifying (and developing, as needed) new technology and research that will enable them to increase productivity and thus their ability to compete. These new resources will leverage federal programs, and bring key industries in the province closer to the forefront of innovation.

Programs proposed that address this goal include the Sector Development Program as well as the Regional Innovation Enhancement Support Program. In fiscal year 2006/07, the Council was able to support all nine regional science councils with expanded funding on a one-time basis. The Council is actively working with the Ministry of Advanced Education to ensure the enhanced funding provided to the nine regional councils is maintained on an ongoing basis.

Measure	Definition	Forecast 2007/2008	Forecast 2008/2009	Forecast 2009/2010
Number of research and technology development/ adaptation projects or initiatives identified and pursued.*	Internal count of sectoral-based research and technology development/ adaptation projects or initiatives that are committed for Council support through funding or in-kind participation.	Establish new baseline at the end of 2007/08 and determine target increase for subsequent years.	Target increase to be determined for 2008/09 in 2007/08.	Target increase to be determined for 2009/10 in 2007/08

* This is a preliminary performance measure that is subject to change depending on the outcome of Council's Strategic Planning process, which is due to be completed in spring 2007. Additional performance measures and targets under this goal will be developed during the course of the 2007/08 fiscal year, and will be included in the Council's 2008/09 - 2010/11 Service Plan.

Objective 2.1: Facilitate BC industry sectors to access, develop and adopt innovative technologies that will enhance competitiveness

Research and innovation needs are unique to each business sector. Some sectors require further science-based evidence to develop new products, processes and services while other sectors are in need of cost-cutting innovations to increase productivity or introduce innovative new products. The Council will expand work with each of the major sectors to identify their needs for novel technologies and ways in which its links to research institutions and government to utilize and leverage resources. This objective focuses at the macro level on the various business sectors and their ability to innovate.

Strategies include:

- Identifying the major technology or research needs of the different business sectors;
- When appropriate, facilitating cross-industry collaboration to address technology or research needs;
- Facilitate development of the research initiatives through various support mechanisms that may include leveraged funding.

Objective 2.2: Identify and support research and innovation opportunities in British Columbia

Succeeding in a competitive market requires the ability to respond effectively to sudden challenges and opportunities. This objective addresses the importance of the province's research expertise and attempts to take advantage of the non-commercial value of research to benefit the social and/or environmental aspects of the quality of life in British Columbia and beyond. SARS, avian flu and the pine beetle infestation are recent examples of areas where sudden action is of critical importance, where solutions involve a strong component of science and technology and which require a coordinated response that transcends individual companies to develop innovative solutions.

BC Innovation Council occupies a unique position and enjoys a history of working with government, industry and academia for the province's common benefit. The Council intends to leverage these links by proactively developing solutions to emerging challenges and opportunities that affect our economy and where British Columbia has, or can develop, a competitive advantage.

Strategies to apply British Columbia's research and innovation capacity to emerging opportunities include:

- Developing a mechanism or framework to identify opportunities to apply the province's research and innovation expertise;
- Developing actionable plans, leveraging on existing capacity and funding from different sources to address the research and innovation opportunities;
- Planning and implementing follow-on strategies for capturing value for British Columbia and/or British Columbia companies.

Goal 3: Increase Awareness of British Columbia's Research and Innovation Opportunities and Achievements

British Columbia has made significant achievements in research and innovation that can be expected to create considerable value in the future, bringing prosperity to the province and helping to establish British Columbia as one of the world's top ten technology centres. Government also called on the Council to help build and maintain a vibrant innovation culture in the province. To realize and optimize these innovation opportunities, the main stakeholders – the public, provincial and federal government and industry – need to be aware of the importance of innovation for economic prosperity and the possibilities and the requirements to realize these opportunities.

The BC Innovation Council has a longstanding mandate to address innovation culture and promote the province's achievements and capabilities. It has established a number of initiatives that highlight opportunities and achievements in research and innovation. The Council will expand these efforts in collaboration with other agencies and organizations, in particular the Province and Invest British Columbia, to strengthen communications with stakeholders at the provincial, national and international level. Strong support from industry, academia and government will allow the Council to work closely with its partners to communicate a balanced and credible view of the issues affecting the technology sector and the development of a vibrant innovation culture in British Columbia.

Measure	Definition	Forecast 2007/2008	Forecast 2008/2009	Forecast 2009/2010
Number of media reports mentioning Council initiatives, events and recipients of support programs.*	Internal Communications Department count of each instance of mention in the media (formal news channels, articles and webpages) of Council initiatives, events and recipients of support programs.	Establish new baseline at the end of 2007/08 and determine target increase for subsequent years.	Target increase to be determined for 2008/09 in 2007/08.	Target increase to be determined for 2009/10 in 2007/08.

* This is a preliminary performance measure that is subject to change depending on the outcome of Council's Strategic Planning process, which is due to be completed in spring 2007. Additional performance measures and targets under this goal will be developed during the course of the 2007/08 fiscal year, and will be included in the Council's 2008/09 - 2010/11 Service Plan.

Objective 3.1: Communicate British Columbia's opportunities and achievements in research and innovation

This objective focuses on communicating the research and innovation expertise and opportunities in the province and helps promote a vibrant innovation culture to ensure that a steady flow of interest and awareness is being nurtured with academia, industry and government, both inside and outside the province. As a Crown agency, the Council is well positioned to lead the development of a comprehensive provincial communications plan to promote research and innovation for economic development and prosperity as well as the sector opportunities and achievements in collaboration with appropriate agencies. It will leverage the resources provided by others organizations, such as Invest British Columbia as well as specific industry organizations and support groups. The Council also has a longstanding history of recognizing the province's leading researchers, scientists, science communicators and technology entrepreneurs through its annual awards dinner and related communications activities and plans to expand these activities.

Strategies to communicate British Columbia's opportunities and achievements in research and innovation include:

- Developing a provincial communications plan for research and innovation in conjunction with the Province and other organizations;
- Providing recommendations and information to the Province of BC, the Government of Canada and other governments;
- Partnering with other organizations to create opportunities to communicate through various media;
- Expanding Council's communications efforts (newsletter, media relations program, supporting events that increase awareness, monitoring and leveraging continued achievements of previous award winners) to ensure the leadership of the Council and the Province are an ongoing part of public reporting and recognition;
- Hosting international delegations interested in understanding the research and innovation sector in the province;
- Expanding the annual Council awards program as appropriate;
- Monitoring and leveraging the continued achievements of previous award winners to bring greater recognition to the province.

Objective 3.2: Increase exposure of elementary and secondary school students to science and technology

A vibrant innovation based economy relies on the continued supply of highly skilled students looking to pursue careers in science, research and technology development and the management of technology focused companies. This objective develops the interest in science to youth at an early stage to encourage and nurture a steady flow of post-secondary students into the fields of science and business to develop research, innovation and commercialization capacity in the province. The Council, through its predecessor organization, has been promoting science and technology to students for several years through programs such as its support for Science Fairs and science student recognition events, and will continue this work in partnership with other organizations, while also developing new initiatives.

Strategies to create student and public awareness of the research and innovation sector include:

- Continuing to support science fair foundations and recognition of the province's science fair winners;
- Partnering with other organisations to create educational opportunities for students to interact with researchers and technology entrepreneurs;
- Continuing to award the top graduating science student at each British Columbia secondary school with a science prize.

Performance Management System

The Council's performance management systems are designed to provide efficient and practical measurement of its progress in attaining its stated objectives. As the Council is currently undergoing a board led strategic planning process, operational plans are not yet finalized, as are the final establishment of performance measures, baselines and targets. The Council has however, established preliminary performance measures based on best available information in advance of its strategic plan. As these are new measures, baseline and future year targets for these preliminary measures will be determined during the course of fiscal year 2007/08, and will be included in the Council's 2008/09 to 2010/11 Service Plan.

All of the Council's performance measures will be collected and maintained in-house and reviewed on a periodic basis throughout the year. In cases where Council supports initiatives implemented by other complementary organizations, Council will request appropriate records are maintained and reported back as a condition of support.

Council will ensure that chosen measurements are quantifiable and measure the related objective rather than the strategies. By doing so, there is assurance that if the targets are met, then it follows that the objectives have been met and therefore the goals have been achieved.

Summary Financial Outlook

The Council's core operations and activities are funded by the Province through the Ministry of Advanced Education, which is also the Ministry responsible for Research and Technology. The Council leverages those funds to secure additional financing for projects, programs and initiatives from other sources. Other sources may include various organizations within the federal and provincial governments as well as private, public and non-profit science and technology organizations that require the Council's expertise through contract services.

In fiscal year 2005/06, the Council was charged with stewarding $50 million from the Province of British Columbia for the Natural Resources and Applied Sciences (NRAS) Research Endowment Fund. The Province directed the Council to account for the funds as revenues in its financial statements in the current year. As an endowment, it is expected that the capital will be preserved. Management of the fund will be overseen by an independent steering committee and it is anticipated that the resulting program will be administered by a new organization external to the Council.

Key Forecast Assumption

The forecast is presented with consistent provincial revenues over the next three years. It is anticipated that a significant expansion of funds is necessary to align expenditures with the level of activity corresponding to the goals outlined in this Service Plan. Accordingly, the staffing level indicated has been kept in line with the funding level presented. However, as with the funding level, the number of Council employees will significantly increase to correspond with the necessary level of activity.

In fiscal year 2006/07, the Council received an additional one-time amount of $819,000 from the Province to support nine regional science and technology councils over and above those supported through the normal $1.964 million S&T Fund. The forecast in subsequent years assumes that this additional amount will not continue and that the S&T Fund amount will return to status-quo levels.

In the same year, the Council also received an additional $1 million from the Province towards the ACE program. This amount, as well as $3.5 million for an Agri-Food Bioproducts Science and Innovation Fund, which was received in fiscal year 2005/06, is accounted for under "deferred revenues" (a balance sheet entry) according to GAAP rules until the programs are introduced and award commitments are signed, at which time, these amounts will be recognized under operating revenues (i.e. Program Funding) in subsequent years.

Interest on the $4.5 million deferred revenue amount described above is forecast to be $165,000 in 2006/07. To more accurately reflect the interest earned on amounts reflected in the Financial Chart (i.e. operating revenues and Funds Committed to New Programs), $165,000 was carved out of the interest line in the Financial Chart.

Because the NRAS Endowment Fund is external to the Council's normal operations it is presented as a separate operating segment. The Fund's revenues appear on a separate summary chart from the Council's operating revenues. Since the Council's role is that of a steward, the Council is unable to forecast the rate at which the earned interest will be expended, nor forecast any additional revenues which may be secured to add to the initial principal.

Funds Committed to New Programs are accumulated funds from past years that were not expended, but have been directed for future programs. This amount is referred to in the Council's audited financial statements as Appropriations. The Council forecasts expending $2 million in the current fiscal year and the remaining amount in fiscal year 2007/08 when its strategic plan is finalized and agreements with awardees and fund recipients can be secured.

As the Council does not operate analogous to a corporation with earned revenues from the sale of goods or services, it carries no retained earnings but commits its surplus funds to future programs under Funds Committed to New Programs.

Forecast Risks and Sensitivities

The Council is almost fully dependent on the Ministry of Advanced Education as its main revenue source. As a result, the operations of the Council are very sensitive to fluctuations in the funding provided by the Ministry. In addition, revenues from other program funders are dependent on the funders' activities and plans and therefore are also sensitive to fluctuations.

The Funds Committed to New Programs that are forecast to be expended in fiscal year 2007/08 will appear as an excess amount of expenses over revenues. This excess is monies which the Council currently carries and therefore presents no risk in regards to the solvency of the organization.

Financial Chart

The budget presented below summarizes the Council's anticipated funding and allocation of operating funds for the next three years.

	Actual: 2005/2006	Forecast: 2006/2007	Budget: 2007/2008	Forecast: 2008/2009	Forecast: 2009/2010
Operating Revenues					
Ministry of AVED					
Base	$3,268,000	$3,268,000	$3,268,000	$3,268,000	$3,268,000
S&T Fund	1,964,000	2,784,000	1,964,000	1,964,000	1,964,000
Program Funding	1,565,000	1,750,000	1,225,000	1,225,000	1,225,000
Interest	168,000	305,000*	40,000	40,000	40,000
Total Operating Revenues#	$6,965,000	$8,107,000	$6,497,000	$6,497,000	$6,497,000
Operating Expenses					
Programs & Initiatives	$3,436,000	$8,425,000	$7,198,000	$4,500,000	$4,500,000
Operating / General & Admin.					
Rent	146,000	152,000	152,000	152,000	152,000
Salaries & Benefits	1,037,000	1,130,000	1,445,000	1,445,000	1,445,000
Other	467,000	400,000	400,000	400,000	400,000
Total Operating Expenses	$5,086,000	$10,107,000	$9,195,000	$6,497,000	$6,497,000
Unexpended Operating Revenues	$1,879,000	($2,000,000)	($2,698,000)	-	-
Funds Committed to New Programs	$4,698,000	$2,698,000	-	-	-
Retained Earnings	-	-	-	-	-
FTE s#	13	15	17	17	17
Capital Expenditures	-	-	-	-	-

* Interest amounting to $165,000 attributable to deferred revenues of $4.5 million has been carved out from this line item.

Consistent revenue and FTE figures are presented over the three year period. It is anticipated that a significant increase in funding and staffing levels is necessary in order for the Council to align its future level of activity with the goals outlined in this Service Plan.

Natural Resources and Applied Sciences Research Endowment Fund

The Natural Resources and Applied Sciences (NRAS) Research Endowment Fund is detailed in the summary financial chart below. The Endowment Fund is considered to be a separate operating segment because management of the fund will be overseen by an independent steering committee and it is anticipated that the resulting program will be administered by a new organization external to the Council.

The initial contribution of $50 million was received in fiscal year 2005/06. As an endowment, it is expected that the capital will be preserved. Interest earnings are forecast to be constant over the next four years.

	Actual: 2005/2006	Forecast: 2006/2007	Budget: 2007/2008	Forecast: 2008/2009	Forecast: 2009/2010
NRAS Endowment					
Principal	$50,000,000				
Earned Interest		$2,000,000	$2,000,000	$2,000,000	$2,000,000

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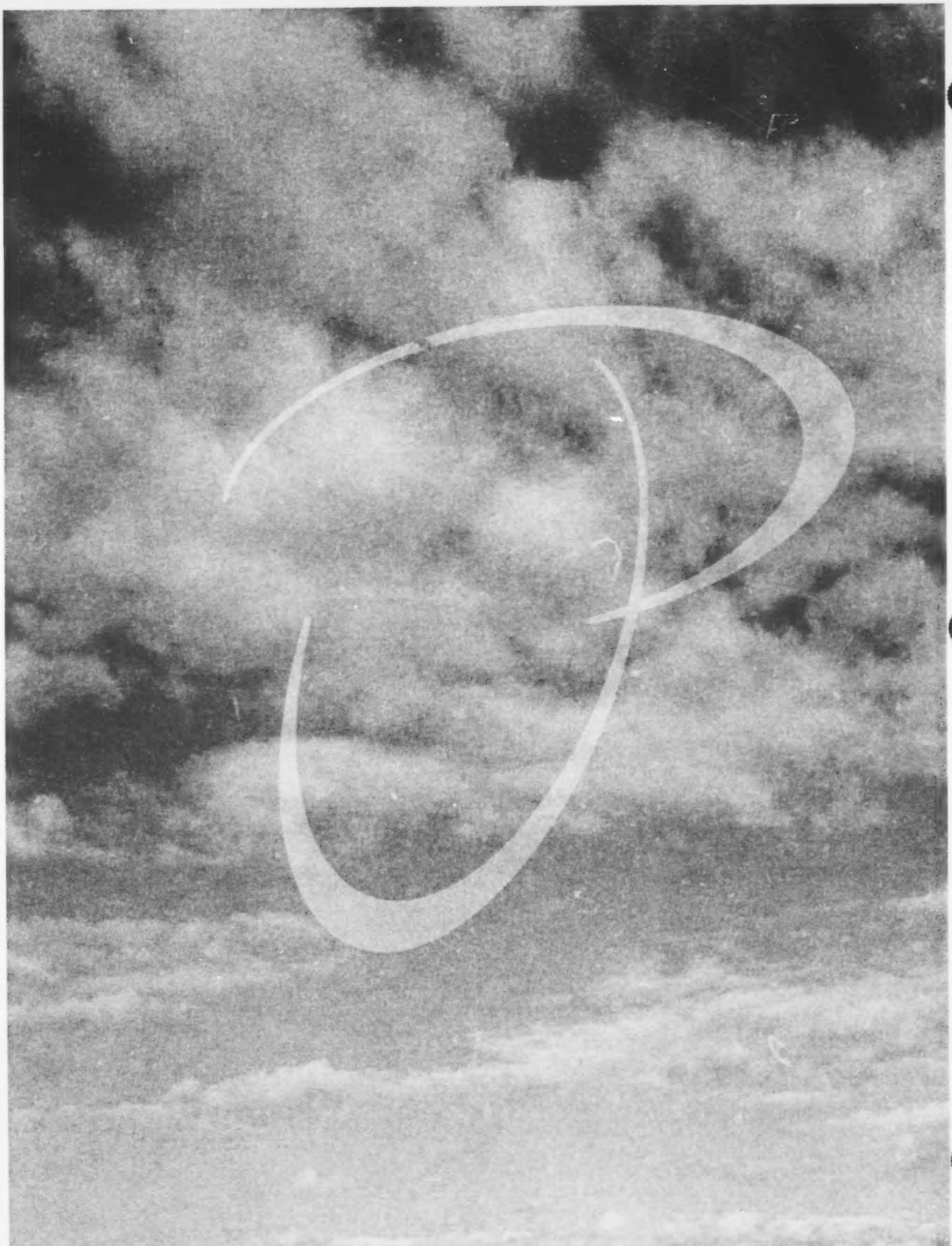

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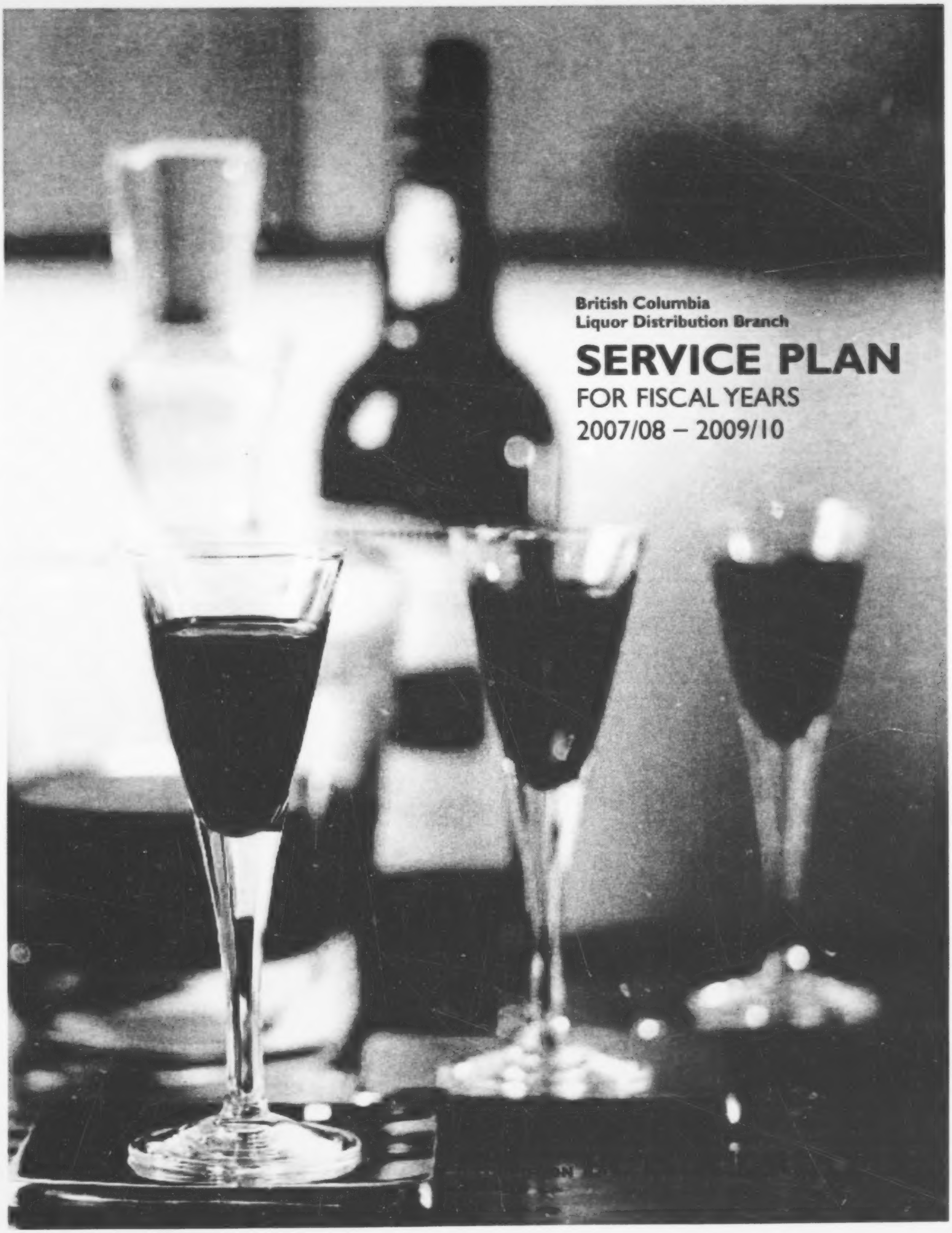

British Columbia
Liquor Distribution Branch

SERVICE PLAN
FOR FISCAL YEARS 2007/08 – 2009/10

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Letter from the General Manager

February 20, 2007

The Honourable John Les,
Minister of Public Safety and Solicitor General:

On behalf of all of the employees of the Liquor Distribution Branch (LDB), I am pleased to present our service plan for fiscal years 2007/08 to 2009/10.

This plan supports our mission to be a customer-focused, profitable retailer and wholesaler of beverage alcohol dedicated to innovation, exemplary service, helpful product knowledge and social responsibility.

Over the three years covered by this plan, the LDB estimates it will generate $2.48 billion net income to government.

In addition to our financial performance, the LDB's high-level goals also include customer experience, business effectiveness, public safety and social responsibility, and workplace quality and employee excellence.

We recognize the importance of our industry stakeholders and wholesale customers. We look forward to working with them to increase customer choice and convenience, while continuing to generate government revenue and ensure socially responsible liquor service.

The 2007/08 - 2009/10 British Columbia Liquor Distribution Branch Service Plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and Strategic Plan.

All significant assumptions, policy decisions and identified risks, as of January 2007, have been considered in preparing the plan. The performance targets in this plan have been determined based on an assessment of the LDB's operating environment, forecast conditions, risk assessment and past performance.

I am accountable for ensuring the LDB achieves its specific objectives identified in the plan and for measuring and reporting actual performance.

Jay Chambers
General Manager

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Organization Overview

ROLE OF THE **LIQUOR DISTRIBUTION BRANCH**

In British Columbia, the Liquor Distribution Branch (LDB), under the authority of the *Liquor Distribution Act*, has the sole right to purchase beverage alcohol, both in and out of British Columbia, in accordance with the *Importation of Intoxicating Liquors Act* (Canada).

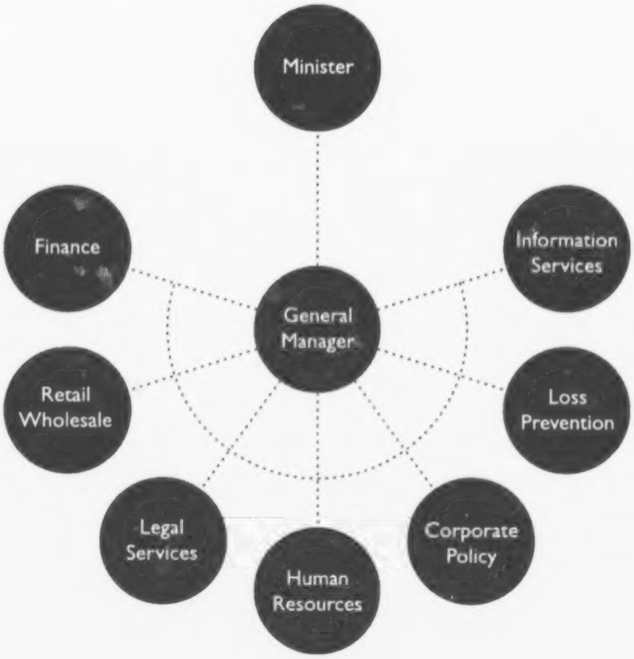
Reporting to the Minister of Public Safety and Solicitor General, the LDB is responsible for the importation, distribution, wholesaling and retailing of beverage alcohol in British Columbia and operates government liquor stores and distribution centres in the province. The LDB is also responsible for the appointment of private retail agency stores*.

The *Liquor Distribution Act* specifies that the minister must appoint a general manager and that the general manager is responsible for administering the *Act*, including the general control, management and supervision of liquor stores, subject to the orders, directions and supervision of the minister.

The *Act* further clarifies the powers of the general manager and delineates the administration of the LDB and the operation of its liquor stores. The LDB follows the Crown Agencies Secretariat guidelines for service plans and annual reports, and is reported out in public accounts in a manner similar to a commercial crown corporation, on a modified equity basis.

Another branch within the Ministry of Public Safety and Solicitor General, the Liquor Control and Licensing Branch (LCLB), enforces the *Liquor Control and Licensing Act*. The LCLB is responsible for the licensing, monitoring and enforcement of the *Act* and regulations related to private liquor stores, restaurants, pubs and manufacturers.

** Agency stores refer to rural agency stores, manufacturer stores, independent wine stores and duty free stores.*



Organization Overview

BUSINESS OF THE **LIQUOR DISTRIBUTION BRANCH**

With a workforce of approximately 3,500 full and part-time employees, the LDB operates, as of January 2007:

- 205 government liquor stores throughout the province;
- two distribution centres, one in Vancouver and one in Kamloops; and
- a head office facility in Vancouver.

The LDB issues appointments or authorizations and enters into contracts with the private sector for the operation of private retail outlets, such as licensee retail stores (LRSs), rural agency stores (RASs), beverage alcohol manufacturer stores, independent wine stores and duty-free stores. These authorizations and agreements are in addition to any licensing terms that may be in place with the LCLB.

As of January 2007, private sector retail establishments included:

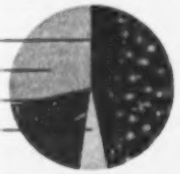
- 620 LRSs (private liquor stores licensed to sell all liquor products);
- 230 RASs (general merchandise stores in rural communities authorized to sell all liquor products);
- 146 on-site manufacturer stores (stores at wineries, breweries and distilleries that sell products manufactured on-site);
- 29 off-site manufacturer stores (stores operated by the BC wine industry that sell BC winery products);
- 12 independent wine stores (private wine stores authorized to sell all types of wine); and
- 11 duty-free stores.

The LDB purchases beverage alcohol from suppliers and manufacturers in British Columbia, other provinces and from around the world. Licensed manufacturing sites in British Columbia include 147 wineries, 51 breweries and brew pubs, and eight distilleries. The LDB buys products from more than 400 manufacturers.

PERCENTAGE OF GROSS $ SALES
BY RETAIL CHANNEL

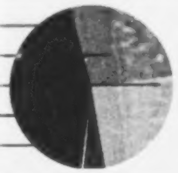
2005/06

Government Liquor Stores	46.7%
Licensee Retail Stores	28.5%
Licensee	19.2%
Agency Stores	5.6%



PERCENTAGE OF GROSS $ SALES
BY PRODUCT CATEGORY
2005/06

Beer	43.9%
Spirits	27.0%
Wine	24.4%
Ciders/Coolers	4.2%
Special Orders/Non-alcoholic	0.5%



Strategic Context

VISION

That our customers have the opportunity to discover, enjoy and share the evolving world of beverage alcohol.

MISSION

To be a customer-focused, profitable retailer and wholesaler of beverage alcohol dedicated to innovation, exemplary service, helpful product knowledge and social responsibility.

VALUES

Exemplary Service
We take pride in the quality of our work. We strive for excellence in serving customers and coworkers.

Public Safety and Social Responsibility
We encourage and support the responsible use of beverage alcohol.

Integrity
We take responsibility and are fully accountable for our actions, decisions and behaviour. We are open, honest and fair.

Respect
We treat all individuals with fairness, dignity and respect.

Teamwork
We support one another to achieve corporate goals.

Innovation
We encourage our people to find innovative and creative ways to improve our business.

KEY STRATEGIC ISSUES

The BC Liquor Distribution Branch (LDB) operates a province-wide beverage alcohol retail and distribution business within a mixed public-private model. The retail model includes government liquor stores, licensee retail stores, rural agency stores, British Columbia manufacturer stores, independent wine stores and duty-free stores. The distribution model includes two government distribution centres and a number of private distributors authorized to distribute liquor as agents of the LDB.

The beverage alcohol retail environment in BC continues to develop, with more than 1,200 liquor retail outlets operating in BC giving consumers a variety of choices depending on their service needs. As a part of this retail system, the LDB is committed to providing customers with an enhanced shopping environment, increased product selection and a high level of service.

The beverage alcohol distribution system in BC is adjusting to meet the demands of the expanded retail network. As a key component of this system, the LDB is continuing to adapt its distribution systems to improve services to its wholesale customers and increase efficiencies in its stores.

EXCELLENCE IN PUBLIC SAFETY AND SOCIAL **RESPONSIBILITY**

The LDB's role as a socially responsible retailer of beverage alcohol extends beyond addressing the requirements of current legislation. Social responsibility initiatives include training programs for LDB employees and in-store responsible-use promotional activities in partnership with beverage alcohol suppliers.

The LDB is also working with other levels of government and stakeholder groups to develop and initiate programs designed to encourage the responsible use of beverage alcohol. Some of the ongoing programs include the annual Support Dry Grad fundraising campaign, ICBC partnerships, Canadian Association of Liquor Jurisdictions co-managed marketing promotions, and the Get Home Safe program.

THE BRITISH COLUMBIA **WINE INDUSTRY**

The LDB, through its network of retail stores, is committed to expanding the profile and sale of BC wines. The LDB maintains ongoing partnerships with provincial wine industry organizations and stakeholders in the development of programs that showcase the province's exceptional wines.

INVESTING IN **TECHNOLOGY**

Technology and information are key components of the LDB's ability to deliver efficient and effective service to both its retail and wholesale customers. Improvements in gathering data and reporting help with: identifying sales trends, adjusting merchandising strategies, identifying and addressing illicit activity and gaining operational efficiencies. Advancements in technology will assist the LDB in providing enhanced ordering services to its wholesale customers, as well as managing risks associated with Business Continuity and Disaster Recovery.

SUCCESSION **PLANNING**

The LDB has historically had a low employee turnover rate which has resulted in the organization retaining a large group of experienced, long-term employees. As this large group of employees moves closer to retirement, succession plans will be a key factor in maintaining a high level of organizational operations.

Risk Management

RISK FACTORS AND **SENSITIVITIES**	MITIGATING **STRATEGIES**
Liquor is a discretionary consumer product and an unexpected downturn in the economy could negatively affect LDB sales projections.	The LDB carefully monitors sales and will make necessary adjustments to sales strategies and operating expenses in order to achieve net income targets.
Liquor sales are negatively impacted by poor weather.	The LDB carefully monitors sales and will make necessary adjustments to sales strategies and operating expenses in order to achieve net income targets.
Liquor is a high-value product and is susceptible to illicit activity such as cross-border smuggling and theft.	The LDB works with appropriate municipal, provincial and federal enforcement agencies to identify and address illicit activity.
Shifts in sales from LDB stores to private stores increase the cost of discounts applied to private store purchases.	The LDB carefully monitors discount costs and will make necessary adjustments to sales strategies and operating expenses.
Unforeseen events such as natural disasters may disrupt business at any time.	The LDB is continuously improving upon and testing its Business Continuity Plan.
A number of knowledgeable, experienced employees are reaching retirement age.	The LDB is developing succession plans for key positions and continuing to provide necessary on-the-job training.

The LDB Executive Management Committee meets monthly to discuss service plan performance, risks and mitigating strategies.

Strategic Direction

THE **FOUR PILLARS** FRAMEWORK

The Liquor Distribution Branch (LDB) has organized its strategic priorities and key objectives around the concept of four pillars. Overarching these four pillars is the financial performance goal, and supporting them are the LDB's dedicated employees.

High-Level Goals

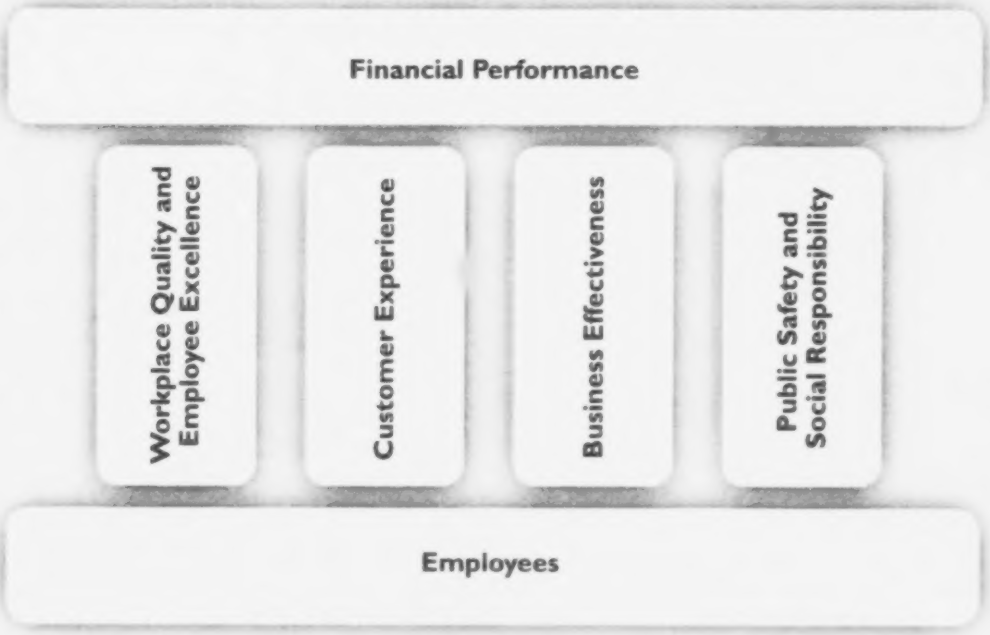
GOAL 1: FINANCIAL PERFORMANCE
Maximize net income within the policy guidelines established by government

GOAL 2: WORKPLACE QUALITY AND EMPLOYEE EXCELLENCE
Build a customer-focused, high performance work environment that results in greater employee involvement, development, innovation and creativity

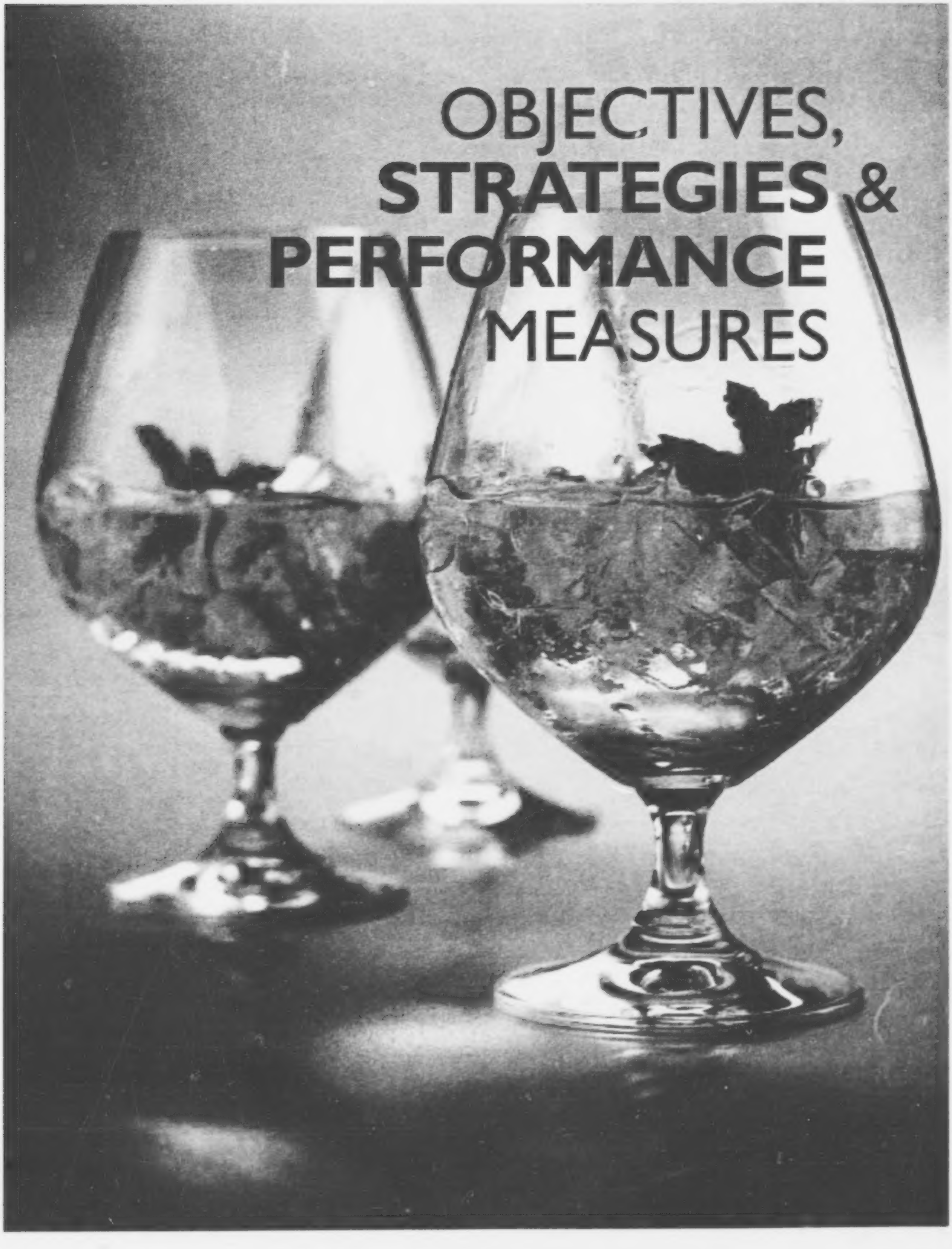
GOAL 3: CUSTOMER EXPERIENCE
Continuously improve the customer experience in BC Liquor Stores

GOAL 4: BUSINESS EFFECTIVENESS
Continue to seek out improvements to operating efficiencies and maximize wholesale customer satisfaction in a climate of constant change

GOAL 5: PUBLIC SAFETY AND SOCIAL RESPONSIBILITY
Encourage the responsible use of beverage alcohol


Financial Performance
Workplace Quality and Employee Excellence
Customer Experience
Business Effectiveness
Public Safety and Social Responsibility
Employees

OBJECTIVES, **STRATEGIES** & **PERFORMANCE** MEASURES



GOAL ONE

FINANCIAL **PERFORMANCE**

Maximize net income within the policy guidelines established by government.

OBJECTIVE

1. Achieve or exceed net income targets

STRATEGY

1. Grow sales and effectively manage operating expenses

PERFORMANCE MEASURES IN MILLIONS $	ACTUAL FISCAL 2005-06	FORECAST FISCAL 2006-07	TARGETS FISCAL 2007-08	FISCAL 2008-09	FISCAL 2009-10
Total sales	2,249.5	2,387.5	2,453.4	2,510.1	2,555.1
Gross margin	1,022.9	1,068.1	1,074.6	1,097.9	1,115.5
Operating expenses	242.4	251.2	270.2	275.5	282.1
Net income	800.5	820.9	810.1	828.0	838.9
Total LDB expenses as a percentage of total LDB sales	10.8%	10.5%	11.0%	11.0%	11.0%

Expense dollars and percentage are increasing as a result of a greater number of employee hours to support increased sales, the negotiated wage settlement, the increase in credit card usage and the amortization on completed projects.

GOAL TWO

WORKPLACE **QUALITY** AND EMPLOYEE **EXCELLENCE**

Build a customer-focused, high performance work environment that results in greater employee involvement, development, innovation and creativity.

OBJECTIVE

1. Continue to develop a customer-focused workforce that is knowledgeable, skilled, motivated and enthusiastic

STRATEGY

1. Enhance staff skills and engagement through management development, employee training and increased communication
2. Implement succession plans for key positions
3. Provide a safe, healthy and harassment-free workplace
4. Promote a retail-oriented culture through a performance management and recognition process

PERFORMANCE MEASURES	ACTUAL FISCAL 2005-06	FORECAST FISCAL 2006-07	TARGETS FISCAL 2007-08	FISCAL 2008-09	FISCAL 2009-10
Employee satisfaction and engagement	**57%**	**70%**	**80%**	**90%**	**90%**

GOAL THREE

CUSTOMER **EXPERIENCE**

Continuously improve the customer experience in BC Liquor Stores.

OBJECTIVE

1. Continue to enhance the shopping experience for LDB retail customers

STRATEGY

1. Maximize the benefit of the distinctive positioning and the consumer expectations associated with the existing Signature Stores
2. Continuously refresh the store network
3. Continuously provide enhanced customer services
4. Improve customer access to British Columbia Vintners Quality Alliance (VQA) wines

	ACTUAL	FORECAST	TARGETS		
PERFORMANCE MEASURES	FISCAL 2005-06	FISCAL 2006-07	FISCAL 2007-08	FISCAL 2008-09	FISCAL 2009-10
Average retail customer transaction value	$27.22	$27.81	$28.99	$30.15	$31.05
Increased dollar sales of VQA wines through LDB retail stores	18.5%	+20%	+20%	+20%	+20%
Retail customer satisfaction	91%	90%	90%	90%	90%

GOAL FOUR

BUSINESS **EFFECTIVENESS**

Continue to seek out improvements to operating efficiencies while maximizing wholesale customer satisfaction in a climate of constant change.

OBJECTIVE

1. Maintain wholesale customer satisfaction
2. Improve cost efficiencies

STRATEGY

1. Maximize the potential efficiencies available through improved distribution operations
2. Increase the use of available, current and cost-effective technology
3. Provide improved wholesale customer services

Performance Measures	Actual Fiscal 2005-06	Forecast Fiscal 2006-07	Targets Fiscal 2007-08	Fiscal 2008-09	Fiscal 2009-10
Wholesale customer satisfaction	90%	90%	90%	90%	90%
Distribution centre accuracy rate	99%	99%	99%	99%	99%
Distribution centre labour cost per case shipped	$1.58	$1.63	$1.64	$1.67	$1.69
Number of LRSs receiving direct shipment	207	300	400	400	400
LDB stores operating costs as a percentage of sales	11.1%	10.9%	10.9%	10.9%	10.9%
LDB store sales per square foot	$1,347	$1,388	$1,467	$1,507	$1,527

Objectives, Strategies & Performance Measures

GOAL FIVE

PUBLIC **SAFETY** AND SOCIAL **RESPONSIBILITY**

Encourage the responsible use of beverage alcohol.

OBJECTIVE

1. Prevent sales to minors or intoxicated persons
2. Increased awareness and promotion of the responsible use of beverage alcohol

STRATEGY

1. Increased staff education and enforcement of ID program requirements
2. Develop co-operative programs with beverage alcohol suppliers and other stakeholders

	ACTUAL	FORECAST		TARGETS	
PERFORMANCE MEASURES	FISCAL 2005-06	FISCAL 2006-07	FISCAL 2007-08	FISCAL 2008-09	FISCAL 2009-10
Government liquor store compliance with ID-checking requirement	69%	100%	100%	100%	100%
Customer awareness of LDB social responsibility programs	78%	90%	90%	90%	90%
In-store responsible-use beverage alcohol programs	12	12	12	12	12

PERFORMANCE MANAGEMENT SYSTEMS

The following information summarizes the source and accuracy of the data used for the service plan performance measures.

SALES DATA (GOALS 1, 3, 4): Sales data for government liquor stores (GLSs) is collected from computerized point of sale cash register systems and stored in head office databases. Sales made directly to customers by agents on behalf of the Liquor Distribution Branch (LDB) are transmitted to the LDB and stored in databases. LDB financial statements are audited by the Office of the Auditor General annually.

EXPENSE DATA: (GOALS 1, 4): LDB expense data is captured, stored and reported by the LDB's financial system. The LDB's financial statements are audited by the Office of the Auditor General annually.

EMPLOYEE AND CUSTOMER SURVEYS (GOALS 2, 3, 4, 5): The LDB contracts with professional survey companies to ensure that survey results are statistically valid.

DISTRIBUTION CENTRE ACCURACY RATE: The accuracy of distribution centre orders is determined by random manual checks of orders that are ready for shipment.

ID CHECKING: The LDB contracts with the Liquor Control and Licensing Branch to check GLS compliance with ID-checking requirements by using mystery shoppers. A sample of GLSs is checked at least once per year.

OTHER DATA (GOALS 3, 4, 5): Measures, including Number of LRSs receiving direct shipment and Implementation of co-operative responsible-use beverage alcohol programs, are counted and tracked manually.

Performance Measure Descriptions

GOAL ONE

FINANCIAL **PERFORMANCE**

Total Sales
Total gross dollar sales of beverage alcohol.

Gross Margin
Gross dollar sales less discounts and cost of goods sold.

Operating Expenses
Total LDB operating expenses.

Net Income
Net income is the contribution made to government by the LDB. Net income is reported in accordance with generally accepted accounting principles.

Total LDB expenses as a percentage of total LDB sales
Operating expenses divided by total sales. Total sales, gross margin and operating expenses are key drivers in achieving the LDB's net income targets.

GOAL TWO

WORKPLACE **QUALITY** AND EMPLOYEE **EXCELLENCE**

EMPLOYEE SATISFACTION AND ENGAGEMENT

The degree to which LDB employees feel engaged and satisfied with the work environment and involved with the corporate vision and mission. This is evaluated by conducting an annual survey sent to a cross-section of employees. Employee performance is directly related to satisfaction with the work environment and commitment to the organization's vision and mission.

Performance Measure Descriptions

GOAL THREE

CUSTOMER **EXPERIENCE**

AVERAGE RETAIL CUSTOMER TRANSACTION VALUE
Gross LDB store sales to retail customers divided by the number of retail customer transactions. This measure is an indicator of the LDB's success in improving the customer's retail shopping experience.

INCREASED DOLLAR SALES OF VQA WINES SOLD IN LDB STORES
The percentage change in LDB store gross dollar sales of British Columbia Vintners Quality Alliance (VQA) wines to retail and wholesale customers from one fiscal year to the next. This measure is an indicator of the LDB's success in improving the customer's shopping experience and support for quality British Columbia wines.

RETAIL CUSTOMER SATISFACTION
Retail customer satisfaction with LDB store service as determined through customer surveys. Conducted annually in selected GLSs, this measure is an indicator of the LDB's efforts to improve service to retail customers and will identify key opportunities for improvement.

Performance Measure Descriptions

GOAL FOUR

BUSINESS **EFFECTIVENESS**

WHOLESALE CUSTOMER SATISFACTION
The level of wholesale customer satisfaction with LDB service as determined by annual customer surveys sent to a cross-section of wholesale customers. This measure is an indicator of the LDB's efforts to improve service to wholesale customers and will identify key opportunities for improvement.

DISTRIBUTION CENTRE ACCURACY RATE
The number of correct cases assembled, divided by the total number of available cases ordered. This measure is an indicator of the LDB supply chain effectiveness in ensuring that orders are accurately assembled in distribution centres.

DISTRIBUTION CENTRE LABOUR COST PER CASE SHIPPED
Total distribution centre labour expenses divided by total distribution centre case shipments. This measure is an indicator of distribution centre labour productivity.

NUMBER OF LRSS RECEIVING DIRECT SHIPMENT
The number of licensee retail stores that receive direct shipment from the Distribution Centres of their LDB orders. Increasing the number of LRSs that receive direct shipments improves wholesale customer service and increases LDB distribution system efficiency.

LDB STORE OPERATING COSTS AS A PERCENTAGE OF SALES
LDB store operating costs divided by total LDB store gross sales dollars. Licensee store 100 (now referred to as the Wholesale Customer Centre) is excluded from the calculation. This measure is an indicator of LDB store operating efficiency.

LDB STORE SALES PER SQUARE FOOT
Total LDB store gross sales divided by total store system square feet. This is one measure of LDB store operating efficiency. This measure includes licensee stores 100 and 231.

GOAL FIVE

PUBLIC **SAFETY** AND SOCIAL **RESPONSIBILITY**

GOVERNMENT LIQUOR STORE COMPLIANCE WITH ID CHECKING REQUIREMENT
Compliance is measured by dividing the number of violations to the ID checking requirement by the number of times compliance is checked. The Liquor Control and Licensing Branch checks compliance through a mystery shoppers program. A high compliance percentage will prevent sales to minors.

CUSTOMER AWARENESS OF LDB'S SOCIAL RESPONSIBILITY PROGRAMS
The degree to which LDB store customers are aware of the LDB's social responsibility programs. This measure is determined by customer surveys.

IMPLEMENTATION OF RESPONSIBLE-USE BEVERAGE ALCOHOL PROGRAMS
The number of responsible-use beverage alcohol programs the LDB implements each year including those in co-operation with suppliers. Involving industry in responsible use programs will improve program effectiveness.

Performance Measure Descriptions

BENCHMARKING

The LDB previously benchmarked itself with three other provinces: Manitoba, Ontario and Alberta. The LDB expects to continue benchmarking annually with these partners on the same measures, which are described below.

PER CAPITA NET INCOME OF BEVERAGE ALCOHOL
This measure shows how the British Columbia liquor system compares to other provinces from the perspective of generating government revenue.

GOVERNMENT LIQUOR STORE OPERATING EXPENSES AS A PERCENTAGE OF STORE SALES
This measure is an indicator of LDB store efficiency as compared to other provincial government stores.

SALES PER SQUARE FOOT
This is another indicator of the efficiency of the LDB's store system.

Industry Benchmarks
2004/2005

	British Columbia	Manitoba	Ontario	Alberta
Per capita net income of beverage alcohol	$183	$157	$130	$175
GLS operating expenses as a percentage of store sales	11.4%	10.4%	10.4%	N/A
Sales per square foot	$1,309	$888	$839	N/A

Alignment with Government's Strategic Plan

As with all branches and agencies of government, the LDB is aligned to support and implement the government's goals. The LDB estimates that it will generate $2.48 billion in net income to government over the three years covered by this service plan. This revenue will assist government in achieving its Five Great Goals to:

1. Make B.C. the best-educated, most literate jurisdiction on the continent.

2. Lead the way in North America in healthy living and physical fitness.

3. Build the best system of support in Canada for persons with disabilities, those with special needs, children at risk and seniors.

4. Lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.

5. Create more jobs per capita than anywhere else in Canada.

Summary Financial Outlook

SUMMARY FINANCIAL OUTLOOK (IN MILLIONS $)

Summary Financial Outlook *(in thousands $)*	ACTUAL FISCAL 2005-06	FORECAST FISCAL 2006-07	BUDGETED FISCAL 2007-08	BUDGETED FISCAL 2008-09	BUDGETED FISCAL 2009-10
Total sales	2,249.5	2,387.5	2,453.4	2,510.1	2,555.1
Commissions and discounts	117.1	133.8	159.7	163.4	166.4
Cost of sales	1,109.5	1,185.6	1,219.0	1,248.8	1,273.3
Operating expenses	242.4	251.2	270.2	275.5	282.1
Other income	20.0	4.0	5.6	5.6	5.6
Net income	800.5	820.9	810.1	828.0	838.9
Capital requirements	19.0	23.6	17.5	14.0	14.0
FTEs	2,630	2,693	2,658	2,680	2,700

KEY FORECAST ASSUMPTIONS

Forecast assumptions, based on market trends by product categories, include sales increases of 2.7 per cent, 2.3 per cent and 1.8 per cent over the next three years.

Discount increases include a 1.5 per cent market share shift to private outlets in 2007/08. Capital requirements reflect expenditures for updating and improving stores, technology-related projects and ongoing equipment replacement. Risk factors, sensitivities and mitigating strategies are detailed on page 9.

Significant Changes from the Service Plan for Fiscal Years 2006/07-2008/09

Each year the three-year Service Plan is reviewed and revised as necessary to align with the current environment. As a result of this review changes were made in the following areas:

GOAL 1: FINANCIAL PERFORMANCE

- Sales and net income targets have been adjusted based on market trends. The change in discount to licensee retail stores and wage increases due to the collective agreement are reflected in gross margin and expenses.

GOAL 3: CUSTOMER EXPERIENCE

- The performance measure detailing total number of additional Signature Stores has been eliminated. Once the current fiscal-year targets are complete, the LDB will focus on maximizing operational efficiency opportunities within the new Signature Store system, and allow the network to stabilize within the mixed public-private industry model.

- Average retail customer transaction value has been increased due to greater sales forecasts.

GOAL 4: BUSINESS EFFECTIVENESS

- Distribution Centre labour cost per case shipped has been adjusted to reflect current trends and salary increases.

- Number of LRSs receiving direct shipment has been adjusted to reflect current trends and capacity.

Executive Organization

General Manager*
Jay Chambers

Executive Administrative Assistant
Cindy Dahlke

Executive Director, Finance*
Roger Bissoondatt

Executive Director, Retail Services*
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Director, Purchasing
Michael Procopio

Director, Marketing
Jim Fraser

Director, Wholesale Business
Katharine Jowett

Director, Information Services*
Don Farley

Director, Corporate Policy*
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via e-mail communications@bcliquorstores.com

The British Columbia Liquor Distribution Branch Service Plan for Fiscal Years 2007/08 - 2009/10 is available online at **www.bcliquorstores.com**.

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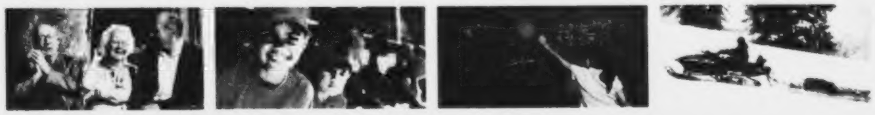
SERVICE PLAN 2007/08 – 2009/10



BENEFITING BRITISH COLUMBIANS

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MESSAGE FROM THE CHAIR AND PRESIDENT

On behalf of the Board of Directors and employees of British Columbia Lottery Corporation (BCLC), we are pleased to present the Corporation's fiscal 2007/08 – 2009/10 Service Plan.

For more than 30 years, BCLC has provided responsible gaming entertainment that generates income for Government and the 2007/08 – 2009/10 Service Plan continues this mission.

BCLC employees, along with our valued private sector business partners, are proud of the revenues generated for public, charitable and community programs. In fiscal 2006/07, BCLC is projecting that we will generate $989 million in net income for Government, $49 million more than our target of $940 million. These revenues will be used to benefit programs for healthcare, education, social, community, charitable and municipal purposes.

In addition to funding beneficial public service programs, the BCLC team is also proud of the significant economic contributions generated, including a projected $643 million in prizes paid to British Columbians, $498 million paid to our lottery, casino and bingo service provider partners and more than $180 million in the purchase of equipment, goods and services. The gaming industry in British Columbia is responsible for the direct employment of more than 10,000 people and more than $1 billion in gaming facility developments pursuant to service provider contracts established and managed by BCLC. In delivering these economic benefits, we are committed to upholding the highest standards of fairness, honesty and integrity in our mandate to conduct and manage gaming in British Columbia.

This Plan supports our mission to offer responsible gaming entertainment, generating income for the public good. Over the three years covered by this Plan, BCLC estimates we will generate $3.2 billion in net income for Government. However, our mission is not only to generate net income for Government, but also to ensure that gaming entertainment is offered in a socially responsible manner. BCLC will continue to take a major leadership role in the British Columbia Partnership for Responsible Gambling in ensuring that appropriate responsible gambling awareness, education and research programs are in place and that appropriate treatment programs are available for the small percentage of the adult population who experience gambling problems.

Public trust and confidence in the integrity of our games and systems is paramount. Recently, the integrity of our lottery games and the cashing of winning tickets by lottery retailers have been challenged. Two independent agencies, the Gaming Policy and Enforcement Branch and the Office of the British Columbia Ombudsman have been requested to complete reviews of our processes and practices in ensuring that the rightful prizes are paid to the rightful holders of winning lottery tickets. GPEB has just completed their review and the Office of the British Columbia Ombudsman's review is currently in process. We welcome both of these reviews and see them as an opportunity to both reassure the public and to further enhance our processes and practices where needed.

Gaming entertainment is becoming increasingly competitive and complex with challenges and opportunities to address. BCLC is faced with the challenge of generating net income for the public good in a competitive market place while balancing the goal of offering gaming in a socially responsible manner. This Plan is designed to meet these challenges and opportunities in order to ensure that British Columbians will continue to benefit from gaming revenues generated in our province and will continue to enjoy high-quality, responsible gaming entertainment.

In closing, the British Columbia Lottery Corporation's 2007/08 – 2009/10 Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The Board is accountable for the contents of the Plan, including the selection of performance measures and targets. The Plan is consistent with Government's strategic priorities and Strategic Plan. All significant assumptions, policy decisions and identified risks, as of January 24, 2007 have been considered in preparing the Plan. The performance targets in this plan have been determined based on British Columbia Lottery Corporations' operating environment, forecast conditions, risk assessment and past performance.

John McLernon
Board Chair

Vic Poleschuk
President and CEO

OVERVIEW OF THE ORGANIZATION

Corporate Mandate

In Canada, gaming is illegal except as provided by the *Criminal Code of Canada*. Pursuant to amendments to the *Criminal Code of Canada* in 1969 and enabling legislation, the British Columbia Lottery Corporation (BCLC) was incorporated on October 25, 1984 and is continued under the *Gaming Control Act* of British Columbia (2002).

As an agent of the Crown, the Province has designated BCLC as the authority to conduct and manage lottery, casino and bingo gaming within British Columbia.

BCLC is accountable to its shareholder (Government) through the Minister of Public Safety and Solicitor General. A Board of Directors appointed by Government guides BCLC in fulfilling its mandate.

BCLC operates and is regulated by the Gaming Policy and Enforcement Branch (GPEB) in accordance with the *Gaming Control Act*. GPEB is responsible for policy, legislation, standards, regulation, licensing, registration, audit and compliance, enforcement, the responsible gaming strategy and the distribution of Government's gaming proceeds.

A key component of the governance framework is the development of a shareholder's letter of expectations. This letter is designed to ensure a shared understanding between the shareholder and Crown Corporation Board of Directors on key governance issues, corporate mandate and core services, public policy issues, strategic priorities and performance expectations. BCLC's *Shareholder's Letter of Expectations* can be located at: http://www.bclc.com/cm/aboutbclc/corporategovernance.htm

Organizational Structure and Core Business Areas

BCLC has two corporate offices, one in Kamloops and one in Richmond. The Corporation's head office, information technology and finance functions are located in Kamloops and the sales and marketing functions are located in Richmond.

The Corporation contracts for the sale of its products through a private sector network of about 4,400 lottery retailers, 17 casinos and 29 commercial bingo halls. Lottery retailers receive an industry-standard commission rate to sell the Corporation's online and traditional lottery products. The Corporation has partnered with six private sector casino service companies. They provide, under contract, both casino facilities and day-to-day operational services, including casino staffing, for a service fee based on revenue generated. The Corporation also has contractual agreements with 29 commercial, independent and charitable bingo service providers who provide bingo facilities and day-to-day operational services, including bingo staffing, for a service fee based on sales revenue. The Corporation's operations and security staff oversee compliance by our service providers with contracts, policies and procedures and service levels established by the Corporation.

The consolidated financial statements of the Corporation include B.C. Lottotech International Inc., a wholly owned subsidiary of British Columbia Lottery Corporation. The primary purpose of B.C. Lottotech is to purchase capital assets for BCLC and there are no operational revenues or expenses. The management and oversight of Lottotech is consolidated with BCLC operations and the Board reviews and approves capital purchases through the budget process.

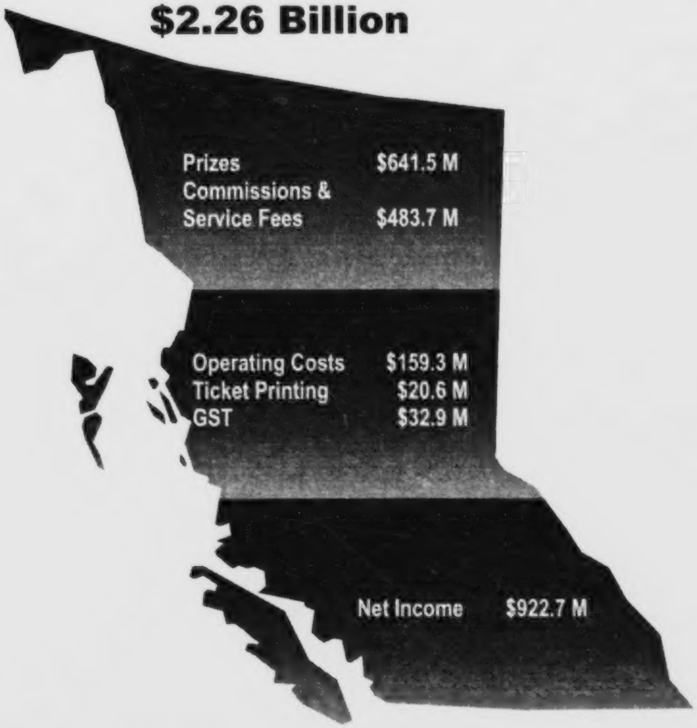
($ in millions)	LOTTERY	CASINO	BINGO	TOTAL
Revenues	$967.4	$1,085.3	$208.0	**$2,260.7**
Net Income	$273.2	$621.6	$27.9	**$922.7**
Distribution Channels	3,050 retail locations 1,350 bars and pubs PlayNow.com	16 commercial casinos 1 racetrack casino	24 commercial bingo halls 5 community gaming centres	
Products	Lottery games	Slot machines Table games Poker games	Paper bingo Electronic bingo Slot machines	

Source: Fiscal 2005/06 Annual Report

Fiscal 2005/06 Financial Highlights

Total Revenues

$2.26 Billion



Gaming Net Income and Distribution Fiscal 2005/06

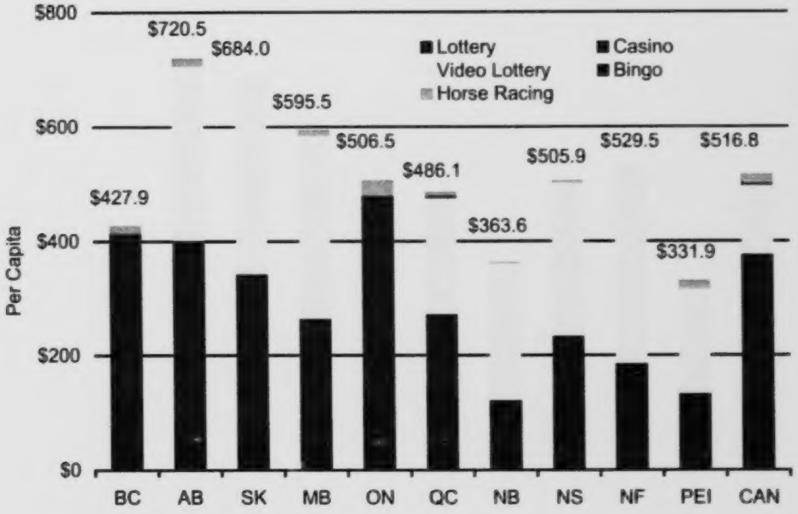
Sources of Net Income		**$ Millions**
Lottery	$	273.2
Casino		621.6
Bingo		27.9
	$	**922.7**
Distribution of Net Income		
Government of British Columbia		
Consolidated Revenue	$	556.4
Health Special Account		147.3
Charitable & community organizations		137.7
Host local governments		65.0
Horse racing purse enhancements		4.6
Development Assistance Compensation		3.4
	$	914.4
Government of Canada		8.3
BCLC Net Income	**$**	**922.7**

In fiscal 2005/06, BCLC made significant contributions to British Columbia communities and the Government of British Columbia. These benefits included $641.5 million in prizes to British Columbians, $483.7 in commissions and service fees paid to lottery, casino and bingo service providers, about $180 million in the purchase of equipment, goods and service and $922.7 million in net income to Government. Gaming has also created significant direct and indirect employment opportunities in British Columbia. It is estimated that the gaming industry is responsible for the direct employment of more than 10,000 people and investment of $1 billion in property assets, pursuant to the service provider contracts established and managed by BCLC.

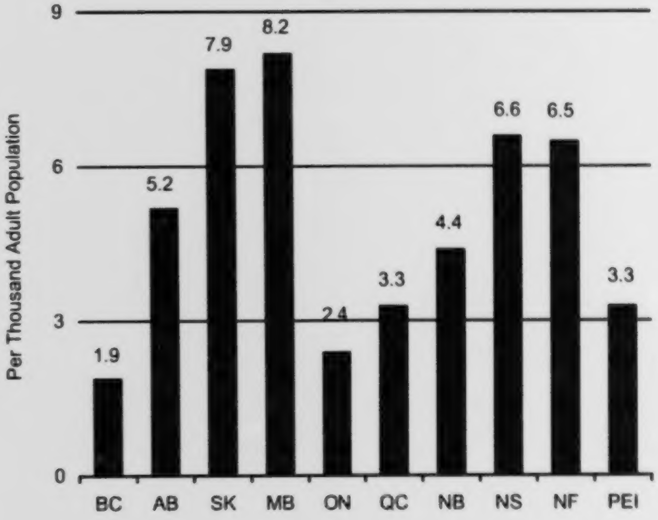
Canadian Gaming Comparisons

In Canada, annual total gaming revenues are about $15 billion. In the province of British Columbia, Government's gaming policy that promotes responsible play and the decision to prohibit the introduction of video lottery terminals from the marketplace has resulted in per capita gaming revenues that are lower than most other provinces in Canada. On a comparative basis, British Columbia ranks 8th in per capita gaming spend (sales less prizes). In addition, British Columbia has the lowest number of electronic gaming devices per thousand adult population of any province in Canada with the fewest locations where they can be played.

Canadian Provincial Gaming Spend Per Capita (March 31, 2005)



Electronic Gaming Devices (March 31, 2005)



Sources: Provincial Gaming Authority Annual Reports and Statistics Canada

**Gaming spend is an industry standard measure that is defined as total sales minus prizes*

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Authority

British Columbia's gaming industry is operated and regulated under the authority and direction of the Minister responsible for gaming, the Minister of Public Safety and Solicitor General.

Governance Practices

Following an extensive review of its existing governance practices, and with the goal of adopting well-established best practices in corporate governance, BCLC's Board of Directors adopted a new governance framework in early 2003. This governance framework reflects the Corporation's mandate, vision, mission and strategic goals and includes terms of reference for the Board, Board Chair, President and Chief Executive Officer, Directors and all standing committees of the Board. The framework also includes operating guidelines for the Board and its committees, and describes processes for strategic planning, succession planning and Board performance evaluations.

Government is committed to achieving and maintaining exemplary standards of governance and has established a best practices governance and accountability model. In 2005, Government released Best Practice Guidelines – BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations. The guidelines establish broad provincial standards for board governance practices and provide for greater public accountability and transparency through standardized disclosure requirements.

BCLC complies with each of the disclosure requirements and is fully compliant with the standards and guidelines.

The Board continuously reviews and evaluates BCLC's governance framework with a view to maintaining good corporate governance practices that are aligned with the Corporation's business and consistent with Government's guiding principles for corporate governance in Crown corporations. As part of its governance practice, the Board regularly evaluates its own performance with the objective of continuously improving performance and performing its oversight role in the most efficient and effective manner.

A key component of BCLC's governance framework is the Shareholder's Letter of Expectations, entered into between the Minister and the Corporation, which confirms the shared understanding of Government and BCLC on its corporate mandate, public policy issues, strategic priorities and performance expectations. The Shareholder's Letter of Expectations is reviewed and discussed with Government annually and updated as required.

Board of Directors

The Board provides stewardship and ethical leadership by overseeing management of the Corporation's affairs with a view to the best interests of the Corporation and long-term interests of the shareholder, the Government of British Columbia.

In carrying out the mandate of the Board, each director is required to act in accordance with a fiduciary duty, duty of care and conflict of interest duty.

Governance Principles of the Board

The guiding principles for Board Governance are:

> Stewardship, leadership and effective functioning of the Board
> Clarity of roles and responsibilities
> Openness, trust and transparency
> Service and corporate citizenship
> Accountability and performance
> Value, innovation and continuous improvement

Board Members

Chair	John McLernon *Appointed December 9, 2005*
Vice Chair	Arthur Willms *Appointed September 26, 2001*
Directors	John Bell *Appointed September 26, 2001*
	David Gillespie *Appointed March 31, 2005*
	D. Neil McDonnell *Appointed April 23, 2002*
	Tazeem Nathoo *Appointed July 26, 2002*
	Eric Sorensen *Appointed December 8, 2005*
	Kathy Stevenson *Appointed April 23, 2002*

Chair

The Chair is the presiding director and is responsible for the leadership and effective performance of the Board. The Chair is appointed by the Lieutenant-Governor in Council and is the liaison between the Board and the Minister responsible for BCLC.

Board Committee Structure

Board committees are responsible for advising and formulating recommendations to the Board. From time to time, the Board of Directors may establish committees as needed.

Each committee chair is appointed by the Board and is responsible to report directly on the committee's deliberations, findings and recommendations.

Standing Committees

Audit

Chair	Kathy Stevenson
Members	Arthur Willms, John Bell, David Gillespie

- Liaises between the external and internal auditors and the Board
- Oversees the review of the Corporation's financial operations by the external auditors and makes a recommendation to the Board with respect to approval of the audited financial statements
- Oversees the review of the Corporation's financial reporting, information systems, risk management and internal controls

Governance and Corporate Social Responsibility

Chair	David Gillespie
Members	Arthur Willms, Tazeem Nathoo

- Reviews the policies and practices of the Board and makes recommendations regarding Board effectiveness
- Examines and makes recommendations regarding good corporate governance practices throughout the Corporation
- Oversees corporate social responsibility programs

Human Resources and Compensation

Chair	Tazeem Nathoo
Members	Neil McDonnell, Eric Sorensen

- Examines the Corporation's strategies and practices that relate to human resource and compensation matters, succession planning issues and provides advice on these matters to the Board for consideration
- Reports to the Board as a whole with respect to compliance with current Government directives and initiatives, including the Public Sector Employers' Council and the Crown Corporation Employers' Association

Marketing and Sponsorship

Chair	John Bell
Members	Neil McDonnell, Eric Sorensen

- Provides support to the Board during the strategic planning process with respect to the marketing components of the strategic plan
- Reviews the overall marketing and sponsorship strategies and guidelines that will govern the Corporation's role on brands, business units and sponsorships
- Monitors the Corporation's performance against the marketing strategies and guidelines

Senior Executive

President and CEO

Vic Poleschuk

Vice-Presidents

Jay-Ann Fordy	Human Resources and Organizational Development
Kevin Gass	Corporate Communications and Marketing
Jim Lightbody	Lottery Gaming
Brian Lynch	Casino Gaming
Scott Norman	Information Technology and Chief Information Officer
Doug Penrose	Finance and Corporate Services
Marsha Walden	Bingo Gaming

STRATEGIC CONTEXT

PURPOSE

Benefiting British Columbians

VISION

To be a player focused, publicly respected, performance-driven Corporation

MISSION

To offer responsible gaming entertainment, generating income for the public good

GOALS

1. To provide outstanding gaming entertainment, generating net income for the public good
2. To be a respected organization that has a broad base of public support
3. To have a workforce passionately driving the success of our business

STRATEGIC INITIATIVES

1. Transform and reinvent the lotteries to a growth business
2. Develop eLottery as a viable business
3. Build casino and community gaming facilities to meet domestic demand and build long term tourism markets
4. Build public and stakeholder trust and support, including the communication of the beneficiaries of gaming revenues and responsible gaming programs
5. Build player participation and loyalty by providing a fun and entertaining gaming experience
6. Create a high performance culture

VALUES

Integrity

The games that we offer and the ways we conduct business are fair, honest and trustworthy

Social Responsibility

Everything we do is done with consideration of its impact on the people and communities of British Columbia

Respect

Our workplace fosters openness, mutual respect and individual development

PLANNING CONTEXT

Each year, BCLC analyzes the impact of external and internal environments on the ability to achieve our mission and goals. The purpose of this analysis is to identify key opportunities, risks, strengths and weaknesses that need to be addressed in strategies, operating plans and budgets.

Macro Trends – Scanning Ahead

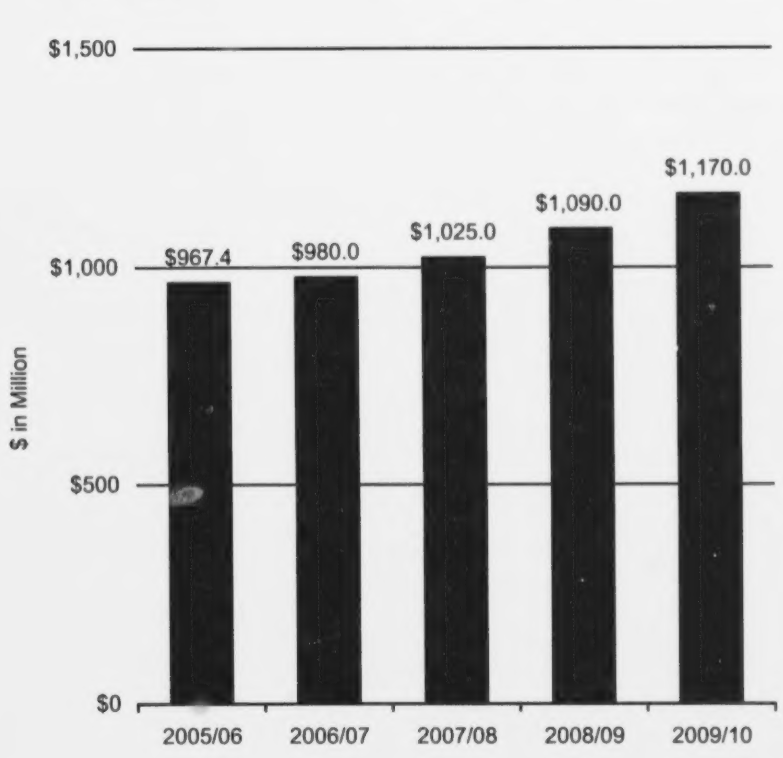
BCLC, like other major businesses, is experiencing significant changes in the environment and marketplace in which it operates. Rapidly evolving technology, increasing competition from both within and outside of British Columbia's borders, the Internet, changing demographics and changes in political and social attitudes are impacting how gaming is conducted and managed in British Columbia.

External Risks and Opportunities

Products and Markets

The Corporation markets three major forms of gaming entertainment in British Columbia — lottery, casino and bingo.

Lottery Revenues



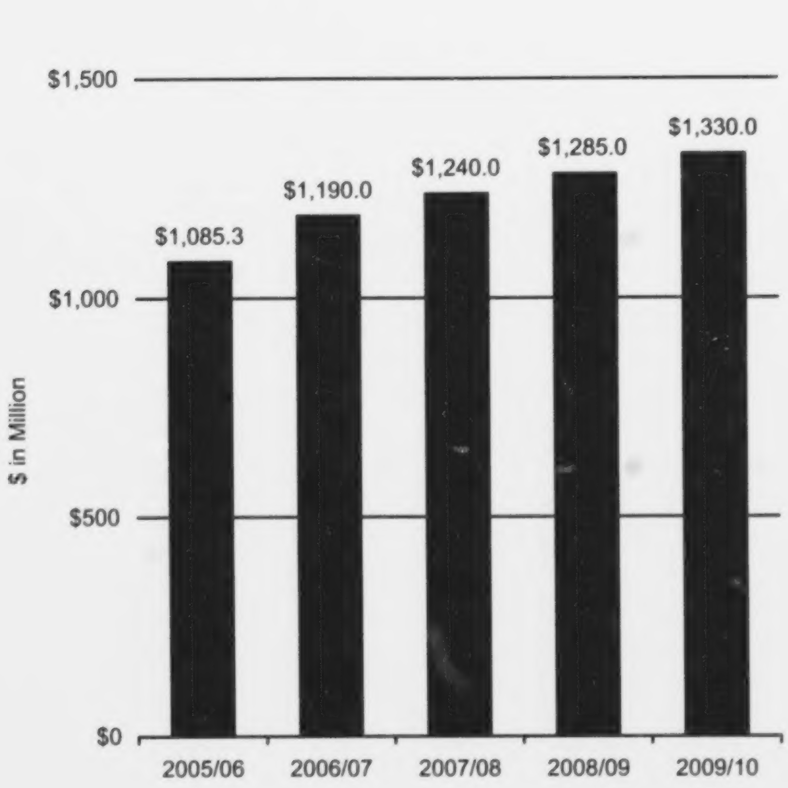
Lottery

Lotteries have been part of the retail market in British Columbia for more than 30 years. Changing demographics, a shift in consumer preferences, emerging and evolving distribution channels and a product line that has matured over the last several years have led to a flattening of sales growth. To address the changing business, BCLC identified the transformation and reinvention of the lottery business as a major strategic priority for the organization.

As a result of this strategic initiative, over the last several years BCLC has introduced various initiatives, including the introduction of a new eChannel, PlayNow, the introduction of new monitor-based games for the hospitality network, and the introduction of games linked to worthy causes that are important to British Columbians. The objective over the next few years will be to continue to introduce innovative new games that provide for a more exciting and entertaining player experience that increase player participation and revenue from this channel.

External Risks and Opportunities

Casino Revenues

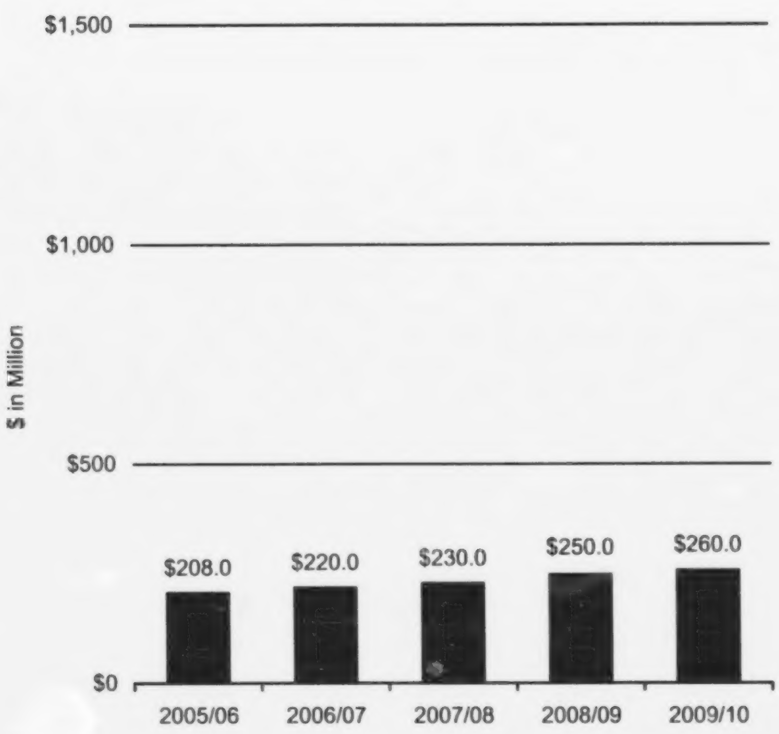


Casino

Since BCLC assumed responsibility for casino games and the introduction of slot machines in the British Columbia marketplace in 1997, the casino business has experienced substantial growth. BCLC's primary strategic priority over the last few years has been to upgrade existing casino facilities with fewer, higher quality properties sized to fit the marketplace. This strategy has resulted in players experiencing a more diverse entertainment experience with major facilities offering resort-style accommodations, conference facilities, full-service restaurants and theatre-style show lounges. As BCLC looks forward, we will continue to develop casino properties that provide the player with exceptional entertainment and begin to position casino gaming as a major tourism attraction for out-of-province players.

External Risks and Opportunities

Bingo Revenue



Bingo

Bingo, one of the oldest forms of gaming in British Columbia, has been steadily declining over the past decade. This decline has resulted from facilities that are perceived to be poor quality, unappealing and limited in entertainment value. BCLC is working with bingo service providers to transform bingo halls in key market locations to community gaming centres (CGCs) offering more entertaining products in better facilities that offer improved customer amenities. The introduction of slot machines into bingo halls in early 2004 has created an avenue through which bingo halls can transform into CGCs. In addition to slot machines, CGCs have included facility upgrades and have tested new products and other forms of entertainment.

External Risks and Opportunities

Consumers

The retail landscape is changing with an increasing prominence of eCommerce, consolidation within many retail sectors, an increasing variety of goods and services offered to the consumer, and convergence of distribution channels. More and more, consumers expect and seek out unique experiences from retailers. It is not just a product that is being sought; it is access to the right experience (in totality) of buying the product that will determine where people shop.

The hospitality landscape is also changing. Just as with retailers, those involved in the hospitality business must work harder to create total experiences for their customers and must adapt emerging technologies to meet the needs of consumers.

BCLC is addressing these changing consumer needs with the introduction of new innovative games and distribution channels for the lottery business and the development of casino and bingo facilities that provide a more complete entertainment experience for the player.

Competition

Increasing competition for the discretionary dollars of British Columbians will continue to affect BCLC's business environment. Consumers are becoming more sophisticated and knowledgeable about their entertainment options. As the entertainment options for consumers continue to increase, delivering high entertainment value and building loyal customer relationships are increasingly important as competitive differentiators.

Competing lotteries and expanded gaming in neighbouring jurisdictions present new challenges. It is estimated that British Columbia loses about $100 million annually to cross-border casinos offering a selection of food and beverage and entertainment facilities and progressive player card programs. Additionally, Internet gaming revenues are about $12 billion (U.S.) worldwide and are estimated to grow to $28 billion (U.S.) by 2012.

BCLC's product and distribution strategies are designed to compete with competitive gaming options and capitalize on revenue opportunities from emerging forms of entertainment.

External Risks and Opportunities

Technology

Rapidly evolving communication and entertainment technologies represent both risks and opportunities for BCLC. New technology can lead to new competition, additional costs and changing customer expectations. These new technologies can also provide for product development opportunities and operational efficiencies. Some of the emerging technologies that will impact BCLC and gaming include:

- High-speed wireless connectivity is becoming the norm in major urban centres
- eCommerce is becoming more prevalent
- Significant gains in network bandwidth and storage capacity will facilitate a shift in entertainment to mobile devices
- Entertainment is moving "home" with advanced home entertainment and media centres

BCLC will continue to identify and evaluate the most promising developments in technology and apply these to the business.

Labour Force

British Columbia's strong economic growth and record unemployment rate have increased the shortage of highly skilled people that businesses need to grow and expand. As the supply of available workers falls short of job growth, competition for employees will increase. With more than 10,000 people directly employed in the gaming industry in British Columbia, this will result in a significant challenge for BCLC and our service providers who operate gaming facilities on our behalf.

To address the growing competition for skilled employees, BCLC is strengthening program development in the following areas:

- Leadership and management development
- Career development
- Employee recruitment
- Work life balance
- Competitive compensation
- Succession planning
- Workplace innovation and productivity

Responsible Play

BCLC and Government recognize that while the revenue generated from gaming provides significant benefits for the province, it also can be harmful to individuals who are prone to problem gambling behaviours. Of the total adult population in British Columbia, it is estimated 96% do not have problems with gambling and most that choose to participate do so for social and recreational purposes. The balance, about 4% of the total adult population, has varying degrees of gambling problems. BCLC recognizes the need to ensure that problem gambling issues are addressed through public awareness, education, prevention and treatment programs. As a key component of BCLC's mandate, we will continue to play a strong leadership role in ensuring that best practices problem gambling risk management strategies and programs are in place.

External Risks and Opportunities

Public Acceptance/Government Policy

The Government of British Columbia's gaming policy provides for moderate growth in revenues. BCLC's revenue and net income projections are based on this policy.

BCLC understands that without strong public acceptance and support, our business and revenue objectives are at risk. To maintain and build public acceptance, the public needs to know that gaming is offered in a socially responsible manner, that the revenue generated from gaming is put to good causes – whether that be for Government programs or charitable and community groups – and that the highest levels of integrity are maintained in our games, processes and people.

Recently, the rate of winning by lottery retailers has been challenged. We feel strongly that our lottery games and systems are secure. We are confident that the right prizes are being paid to the rightful holders of winning tickets. Retailer wins are subject to a high level of scrutiny and all consumer complaints with respect to prizes paid at retail are followed up by BCLC Corporate Security. We also believe that the overwhelming majority of nearly 50,000 retail stores clerks who sell and validate lottery products are providing a high level of quality services and integrity to our players.

But we need to make sure we continue to earn the trust and confidence that our players and public have in us. Two independent agencies, the Gaming Policy and Enforcement Branch and the Office of the British Columbia Ombudsman have been requested to complete reviews of our processes and practices in ensuring that the rightful prizes are paid to the rightful holders of winning lottery tickets. GPEB has just completed their review and the Office of the British Columbia Ombudsman's review is currently in process. We welcome both of these reviews and see them as an opportunity to both reassure the public and to further enhance our processes and practices where needed.

Regulatory

Gaming in British Columbia is conducted and managed under the framework of the federal *Criminal Code* and the provincial *Gaming Control Act* and its regulations. BCLC operates within the strict statutory and regulatory guidelines as established by these two legislative documents.

The *Gaming Control Act* requires that BCLC consult with host local governments before any new casino or bingo gaming facility is introduced into a community. BCLC recognizes that building local community and stakeholder relationships are critical to achieving success for both BCLC and the local communities where gaming opportunities are being considered.

Internal Strengths and Weaknesses

Organizational Capability

The success of BCLC in the future will continue to depend on our people and strong leadership to promote a high-performance culture that values innovation, integrity, engagement and accountability. BCLC is currently able to leverage its strong gaming knowledge, expertise and skill advantage in the British Columbia entertainment marketplace.

However, as the market becomes increasingly competitive and complex, BCLC will need new skills and new competencies that will drive the success of new product and business opportunities. Immediate needs include ensuring that the right skills and culture are in place to meet business requirements for increased focus on the player, innovation and time to market.

External market shortages of leadership and technical skill are forecasted over the three-year planning period. BCLC needs to ensure that leading-edge work practices and competitive recruitment and compensation policies are in place to attract and retain the best and brightest leaders and experts to support the business agenda.

Financial Capacity

BCLC has the financial capability to fund the capital and operating programs necessary to attain its business goals and objectives.

Innovation

Similar to other organizations, the ability of BCLC to deliver new and exciting products to the marketplace is fundamental to our success. With consumer preferences changing, BCLC needs to move away from "mass market" games to products and experiences that are tailored to individual needs. Developing innovative products that are player focused and delivering these products to the market quickly is a key requirement for BCLC as we move forward.

Distribution Channels

BCLC is fortunate to have one of the strongest and most developed distribution channels in British Columbia. Through our network of more than 4,000 lottery retailers, 17 casinos and 29 commercial bingo halls and community gaming centres, our distribution channels are well situated from a geographic perspective to provide access to the British Columbia marketplace. More recently, BCLC has added a new eChannel, PlayNow, where consumers can purchase our lottery and Sports Action products. We will continue to develop our distribution channels to ensure players are provided with entertaining gaming experiences that are fun, convenient and socially responsible.

Integrity of Brands and Products

BCLC has provided gaming entertainment products in the British Columbia marketplace for more than 30 years. Evolving from a lottery-only business, BCLC now offers a full range of gaming products including casinos, bingos and online gaming through PlayNow. Over this period, the Corporation has established high levels of product brand awareness and trust. This, combined with the fact that all profits from BCLC benefit British Columbians, provides a strong competitive advantage for BCLC brands.

KEY STRATEGIC ISSUES

Increased Competition

Competition for the consumer's discretionary entertainment dollar continues to increase.

New innovative products and channels will need to be developed, specifically in the lottery and bingo markets, in order to maintain and grow revenue.

Public Support of Gaming

Public support of gaming has decreased based upon the concerns over the negative impacts of problem gambling and a lack of awareness of the beneficiaries of gaming funds.

Enhanced responsible gambling and prevention programs and enhanced pro-active communications to communicate both responsible gambling initiatives and beneficiary programs are required.

Labour Market

The gaming industry employs more than 10,000 people in British Columbia. It is expected that the need for labour will continue to increase over the next five years and that the industry will have more difficulty in competing to attract and retain the "best" service-oriented staff.

ENTERPRISE-WIDE RISK MANAGEMENT

BCLC faces risks specific to its business that could significantly impact its ability to achieve the short and long term goals of this Service Plan. While risks cannot be eliminated, BCLC's strategies aim to minimize or mitigate them.

BCLC's Approach to Managing Risk

BCLC has initiated a formal Enterprise Risk Management process that will be applied to the day-to-day business activities as well as to strategic initiatives and specific projects. Strategic risk identification has occurred through an initial senior management assessment and will be a key factor in planning and resource allocation secessions. An enterprise Risk Manager supports the Enterprise Risk Management process by focussing on education, accountability, and corporate wide coordination.

Major corporate risks and the mitigation strategies for each of these risks are included in the following pages:

MARKET SUSTAINMENT AND DEVELOPMENT RISK	MITIGATION STRATEGIES
To remain competitive, BCLC must continually adapt to changes in the marketplace. The continuing development of innovative new games and delivering an exciting and fun gaming entertainment experience to the player will be critical in our ability to maintain and grow revenue.	The gaming industry is particularly vulnerable to these risks, as the player demand for traditional products decreases while the availability of other entertainment options increases. BCLC has concentrated its efforts in this regard on new product innovation, balanced with social responsibility. To address this risk BCLC has developed four key strategies: 1. To transform and reinvent the lottery business through the development of new innovative games and distribution channels 2. To develop eLottery as a viable business including the introduction of PlayNow, an online gaming channel that offers existing products and new innovative games. 3. To build casino and community gaming facilities to meet domestic demand and build long term markets. The continuing upgrading of existing casino properties and the replacement of old bingo halls with new, higher entertainment gaming centres are examples of initiatives that support this strategy. 4. To build player participation and loyalty by providing a fun and entertaining gaming experience. New innovative games and facility development that focus on the total player entertainment experience are examples of initiatives that support this strategy.

PUBLIC ACCEPTANCE RISK	MITIGATION STRATEGIES
Without strong public support and acceptance, the BCLC's ability to achieve its business and revenue objectives are at risk. Given that public policy often follows public opinion, an event that breaches the public trust could directly impact the operational programs supporting the Corporation's strategic initiatives. For the Corporation to build and maintain public trust, it is important that there is a high level of public awareness that games are offered in a socially responsible manner, that there are problem gambling prevention and treatment programs for those at risk, and that the revenue generated from gaming is directed to key Government programs that benefit all British Columbians.	BCLC mitigates the likelihood and impact of such events through our strong focus on integrity in our products, highly regulated facilities and continued development of industry practices that promote responsible play. We are committed to taking immediate action against breaches to assure British Columbians that gaming in British Columbia remains a secure and safe entertainment option. To build and maintain public trust BCLC will continue to implement strategies that support responsible gaming, problem gambling prevention and treatment, and public awareness and transparency of how gaming revenues are spent to benefit British Columbians.

SKILLS AND CAPACITY RISK	MITIGATION STRATEGIES
Significant changes in the labour market such as shifting workforce demographics or the availability of technical skills adversely affect the Corporation's ability to attract and retain highly skilled and motivated employees.	BCLC has recognized that having a flexible, adaptable workforce to meet the needs of our players and our shareholders requires employees to be motivated to continually learn and keep up with the pace of change, develop new skills, acquire new knowledge, continuously improve business processes and seek out new markets/products. As a technology-reliant organization, we recognize the need to focus on building our resources to meet the needs of our business.

HOST LOCAL GOVERNMENT APPROVALS	MITIGATION STRATEGIES
The *Gaming Control Act* requires that BCLC consult with host local governments before any new casino or bingo gaming facility is introduced into a community. BCLC recognizes that building local community and stakeholder relationships are critical to achieving success for both BCLC and the local communities where gaming opportunities are being considered.	BCLC has developed extensive consultation and relocation processes to ensure host local governments, key stakeholders and communities have the information to make informed decisions.

CAPACITY/TECHNOLOGY	MITIGATION STRATEGIES
With the addition of casino and bingo gaming to BCLC's mandate, both the size and complexity of the business has grown.	BCLC has developed internal resources and recruited outside expertise to manage the growth of the business. BCLC has also made major investments in its technology infrastructure to provide the required capacity, integrity and controls to manage the business.

PROVINCIAL SMOKING BAN	MITIGATION STRATEGIES
In November 2006, the Government of British Columbia announced that by 2008, smoking will be banned in all indoor public places in British Columbia. While BCLC is fully supportive of this Government announcement, it is anticipated there will be some financial impact on the gaming revenues generated by the Corporation. While it is difficult to estimate the impact on gaming revenues, in other provinces where smoking bans have been introduced, reductions in gaming revenues have been significant.	BCLC will conduct further research on experiences in other jurisdictions and will work closely with our lottery retailers and casino and bingo service providers to implement strategies to minimize the impact of a smoking ban on gaming revenues.

GOALS, STRATEGIES, PERFORMANCE MEASURES AND TARGETS

Review Process

Within the overall framework of Government gaming policy and BCLC's vision and mission statements, BCLC's Board and senior management have established three strategic goals to guide the organization in the achievement of its mandate.

1. To provide outstanding gaming entertainment generating net income for the public good.
2. To be a respected organization that has a broad base of public support.
3. To have a workforce passionately driving the success of our business.

To manage and direct performance against each of these goals, BCLC has established specific strategies with associated performance measures and targets. These goals, strategies and performance measures form the framework that guides planning and decision making at all levels of the organization.

Although there are numerous performance indicators utilized by BCLC to manage and measure performance in the organization, 11 have been selected by the Board and senior management that are considered the most relevant in measuring progress against the strategic goals.

In selecting these performance measures, the Board and senior management considered the following key factors:

> Relevancy of performance measures against BCLC's strategic goals

> Validity of the indicators (Do they measure what they are intended to measure?)

Availability and Reliability of Data

The data for BCLC's performance targets are obtained from both internal and external sources. Results associated with BCLC's financial measures (revenue and net income) are obtained from the Corporation's audited financial statements. Other financial measures, including the Corporation's operating cost ratio and staffing numbers are obtained from internal management reports. Performance data associated with BCLC's public trust and organizational health measures (public support of gaming and BCLC, responsible gaming, beneficiaries of gaming, employee engagement) are provided by independent research agencies that utilize statistical sampling methodologies that provides information that can be relied upon with a high level of confidence.

Setting Annual Targets

With input from Government and in consultation with our Board of Directors and other key stakeholders, BCLC establishes our performance targets each year. BCLC's performance targets are dependent on the Government's gaming policy that balances revenue generation with responsible play. BCLC also operates in a highly competitive market place competing for the discretionary entertainment dollar. This marketplace reality, along with other external and internal factors, is considered in setting performance targets.

Changes from the Previous Year

There have been no substantive changes to BCLC's vision, mission or strategic goals. The number of BCLC's key strategies has been reduced from seven to six and include some refinement and change in wording. Some of BCLC's performance measure targets have been revised to reflect current market conditions, actual results and the most current information available.

2006/07 – 2008/09 SERVICE PLAN	2007/08 – 2009/10 SERVICE PLAN	COMMENTS
Transform and reinvent lotteries to a growth business	Transform and reinvent lotteries to a growth business	No change
Develop a viable eLottery Business	Develop eLottery as a viable business	No change
Develop a viable community gaming centre model		With a viable model for community gaming centres in place, this strategy is no longer required.
	Build casino and community gaming facilities to meet domestic demand and build long term tourism markets	New strategy
Build player participation and loyalty by providing a fun and entertaining gaming experience	Build player participation and loyalty by providing a fun and entertaining gaming experience	No change
Grow our business through innovative product development		This strategy forms part of lottery, eLottery, casino and community gaming centre strategies and therefore a separate strategy for innovation is no longer required.
Build public and stakeholder trust/support including the communication of the beneficiaries of gaming revenues and responsible gaming programs	Build public and stakeholder trust/support including the communication of the beneficiaries of gaming revenues and responsible gaming programs	No change
Instil a high-performance culture through strong leadership, innovation, employee development and engagement.	Create a high-performance culture	Wording simplified

Performance Measure Changes

BCLC's Board and senior management review each of the performance measures and the associated targets on an annual basis. Based on current market conditions, actual results and the most current survey information available, performance targets are revised to reflect the Board and senior management's best estimates.

PERFORMANCE MEASURE	2007/08	2008/09	COMMENTS
Revenue ($ in millions)			
2006/07 – 2008/09 Service Plan	$2,465	$2,625	Revenue targets revised to reflect stronger growth in casino and the slower than planned transformation of the lottery and bingo markets
2007/08 – 2009/10 Service Plan	$2,495	$2,625	
Operating Cost %			
2006/07 – 2008/09 Service Plan	4.6%	4.5%	No change
2007/08 – 2009/10 Service Plan	4.6%	4.5%	
Net Income ($ in millions)			
2006/07 – 2008/09 Service Plan	$980.0	$1,035	Net income projections revised upward reflecting a shift in product mix to higher contribution casino games
2007/08 – 2009/10 Service Plan	$1,033	$1,087	
FTEs			
2006/07 – 2008/09 Service Plan	612	625	BCLC's staffing requirements have been increased to meet resource needs resulting from growth in the business.
2007/08 – 2009/10 Service Plan	625	650	
Player Participation			
2006/07 – 2008/09 Service Plan	67%	67%	No change
2007/08 – 2009/10 Service Plan	67%	67%	
Player Satisfaction			
2006/07 – 2008/09 Service Plan	88%	90%	No change
2007/08 – 2009/10 Service Plan	88%	90%	
Public Support of Gaming			
2006/07 – 2008/09 Service Plan	55%	55%	Public support ratings revised to reflect general trends in gaming acceptance in British Columbia and across Canada
2007/08 – 2009/10 Service Plan	52%	52%	

PERFORMANCE MEASURE	2007/08	2008/09	COMMENTS
Public Support of BCLC			
2006/07 – 2008/09 Service Plan	70%	70%	BCLC support ratings revised to reflect most current data
2007/08 – 2009/10 Service Plan	65%	65%	
Public Recognition of Social Responsibility			
2006/07 – 2008/09 Service Plan	58%	60%	Pubic recognition ratings revised to reflect most current data
2007/08 – 2009/10 Service Plan	56%	56%	
Public Awareness of the Beneficiaries of Gaming			
2006/07 – 2008/09 Service Plan	35%	40%	No change
2007/08 – 2009/10 Service Plan	35%	40%	
Employee Engagement			
2006/07 – 2008/09 Service Plan	80%	80%	Employee engagement ratings revised to reflect results from most current employee engagement survey
2007/08 – 2009/10 Service Plan	60%	65%	

Alignment of Vision, Mission, Goals, Strategies and Performance Measures

STRATEGIC CONTEXT

VISION

To be a player focused, publicly respected, performance-driven Corporation

MISSION

To offer responsible gaming entertainment, generating income for the public good

GOALS	STRATEGIES	PERFORMANCE MEASURES
1. To provide outstanding gaming entertainment generating income for the public good	1. Transform and reinvent lotteries to a growth business 2. Develop eLottery as a viable business 3. Build casino and community gaming facilities to meet domestic demand and build long term tourism markets 4. Build player participation and loyalty by providing a fun and entertaining gaming experience	1. Revenue 2. Operating Costs 3. Net Income 4. FTEs 5. Player Participation 6. Player Satisfaction
2. To be a respected organization that has a broad base of public support	5. Build public and stakeholder trust and support, including the communication of the beneficiaries of gaming revenues and responsible gaming programs	7. Public Support of Gaming 8. Public Support of BCLC 9. Public Recognition of Social Responsibility 10. Public Awareness of the Beneficiaries of Gaming
3. To have a workforce passionately driving the success of our business	6. Create a high-performance culture	11. Employee Engagement

GOALS, STRATEGIES, AND PERFORMANCE MEASURES

Goal #1: To Provide Outstanding Gaming Entertainment Generating Net Income for the Public Good

STRATEGIES
1. Transform and reinvent lotteries to a growth business
2. Develop eLottery as a viable business
3. Build casino and community gaming facilities to meet domestic demand and build long-term tourism markets
4. Build player participation and loyalty by providing a fun and entertaining gaming experience

PERFORMANCE MEASURES	FISCAL 2005/06 ACTUAL	FISCAL 2006/07 PROJECTIONS	FISCAL 2007/08 TARGETS	FISCAL 2008/09 TARGETS	FISCAL 2009/10 TARGETS
Revenue (in millions)					
Lottery	$967.4	$980.0	$1,025.0	$1,090.0	$1,170.0
Casino	1,085.3	1,190.0	1,240.0	1,285.0	1,330.0
Bingo	208.0	220.0	230.0	250.0	260.0
Total	$2,260.7	$2,390.0	$2,495.0	$2,625.0	$2,760.0
Operating Cost Ratio	4.5%	4.6%	4.6%	4.5%	4.5%
Net Income (in millions)					
Lottery	$273.2	$276.1	$287.5	$305.8	$330.4
Casino	621.6	676.5	701.3	726.5	749.5
Bingo	27.9	36.4	44.2	54.7	62.1
Total	$922.7	$989.0	$1,033.0	$1,087.0	$1,142.0
FTEs	575	590	625	650	650
Player Participation	61%	65%	67%	67%	68%
Player Satisfaction	84%	84%	88%	90%	90%

The achievement of BCLC's goal to provide outstanding gaming entertainment generating net income for the public good is supported by four strategies:

1. **Transform and reinvent lotteries to a growth business** – The lottery business represents a mature market and revenues have been relatively flat over the last few years. BCLC has begun to address the current market situation through the introduction of new, innovative and entertaining games. Examples of recent product innovations include the introduction of SportsFunder, a suite of games that support amateur sports in British Columbia and the introduction of a new monitor-style game in bars and pubs, Pacific Hold'em Poker.

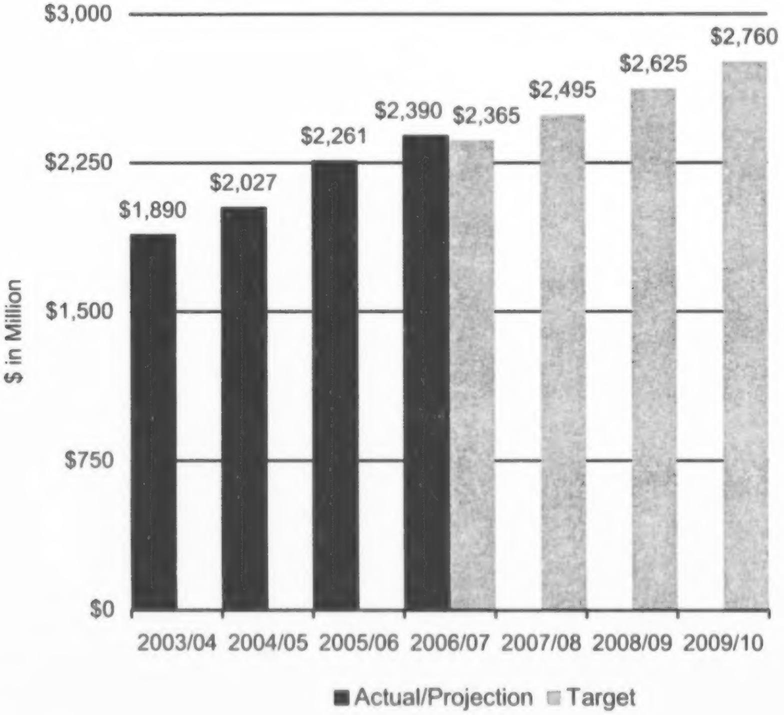
2. **Develop eLottery as a viable business** –The introduction of PlayNow, our online gaming channel represents a major strategic initiative for BCLC. Introduced in 2004, sales from this channel have increased from just more than $5 million in the first full year of operation to a projected $13 million in fiscal 2006/07. Through this channel, BCLC offers various games including Lotto, Sports, Keno and Interactives, an electronic version of our Scratch & Win games. Along with new product development, BCLC has built "best of practice" responsible play controls into PlayNow, including age and residency verification, spending limits and self-exclusion.

3. **Build casino and community gaming facilities to meet domestic demand and build long term tourism markets** – BCLC assumed responsibility for casino gaming in British Columbia in 1998. Over this period, casino revenues have increased from $308 million to just over $1 billion in 2005/06. A major strategy for BCLC has and continues to be to upgrade the quality of casino facilities and to improve the entertainment experience offered to players. An example of this is the River Rock Casino where, in addition to casino gaming, the property includes a five-star hotel, conference facilities, a range of dining experiences and a theatre-style show lounge. The ability of BCLC to offer this level of gaming experience is made possible through our partnership with our service providers who operate 17 casinos in British Columbia. With several high-quality casinos now operational in British Columbia, BCLC will begin to develop the out-of-province tourism market.

   For more than a decade, the bingo business has been in decline throughout North America. In order to remain viable, the bingo business must reinvent itself. Competition in the gaming business is fierce and innovation in the entertainment industry is far outpacing any changes introduced in the bingo world in the past decade. BCLC has managed the marketplace by rationalizing the number and location of gaming facilities. Through the introduction of Community Gaming Centres with slot machines, BCLC in conjunction with our service providers are delivering new facilities with improved aesthetics and amenities, while providing improved service and entertainment value for existing and new players. The transformation of bingo halls in key market locations to Community Gaming Centres, in partnership with our service providers, will help ensure the long term viability of the bingo industry.

4. **Build player participation and loyalty by providing a fun and entertaining gaming experience** – In 2006, just more than 60% of adult British Columbians participated in some form of gaming. To maintain and grow this player base, BCLC must provide the player with innovative and entertaining products; high-quality gaming facilities and outstanding customer service. The development of new casino facilities including the River Rock, Cascade and Boulevard casinos with amenities such as fine dining and show theatres, delivers on the promise of an entertaining gaming experience. In the hospitality network, new innovative lottery games such as Pacific Hold'em Poker are providing more entertainment value for our players.

Key Performance Measure 1: Revenue Generation

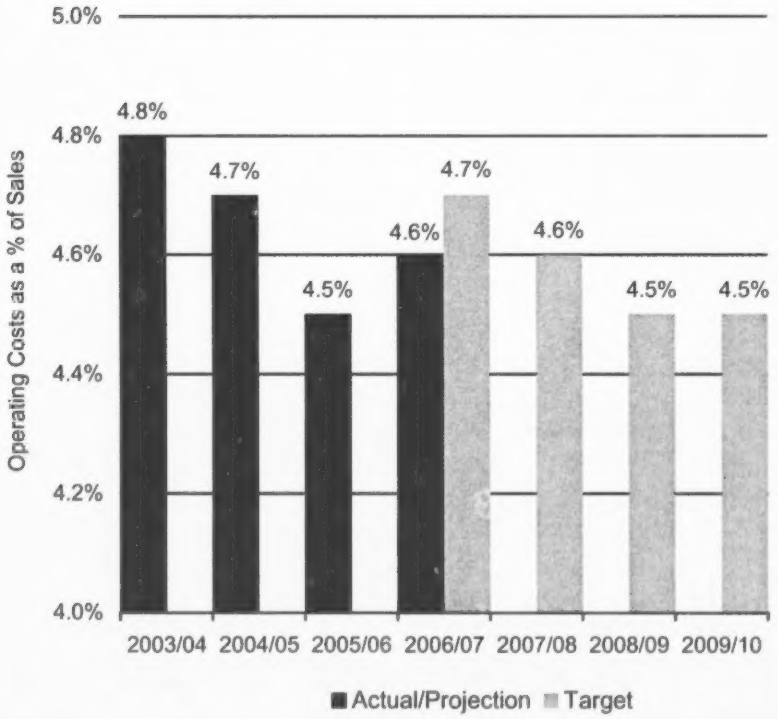


Importance

This performance indicator measures the Corporation's total revenues as reported in our consolidated financial statements. This measure is directly linked to BCLC's mission of offering responsible gaming and our goal of generating net income for the public good. Success is indicated in our ability to achieve or exceed our revenue targets while offering entertaining and socially responsible products to the player. For every dollar of revenue generated by BCLC, on average 40 cents is distributed to the province to support key Government programs and charitable and community organizations throughout British Columbia.

Over the next three years, revenues are projected to increase from $2.390 billion to $2.760 billion, an increase of $370 million or 15.5%. This growth will be achieved through the introduction of new innovative lottery products, continuing enhancements to our eLottery channel, PlayNow, and the continuing development of our casino and bingo facilities to provide improved levels of player entertainment.

Key Performance Measure 2: Operating Cost Ratio

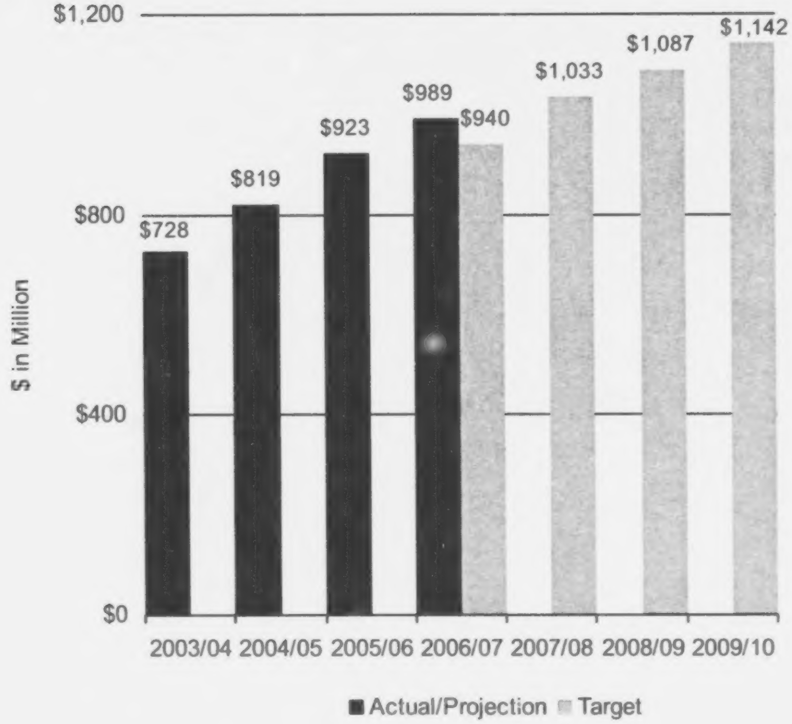


Importance

This performance indicator measures the ratio of operating costs as a percentage of total revenues. Operating costs include all costs excluding direct costs, amortization, other expenses and taxes. This measure is important as it directly impacts our ability to generate net income for the public good. An increase or decrease of .1% in operating costs impacts our bottom line by approximately $2.5 million.

Since fiscal 2000/01, BCLC has been successful in reducing operating costs as a percentage of revenues from 5.7% to 4.6% in fiscal 2006/07. BCLC will continue to utilize technology and implement best practices to ensure the organization is as effective and efficient as possible. It is our goal to reduce operating costs to 4.5% of revenues by fiscal 2008/09.

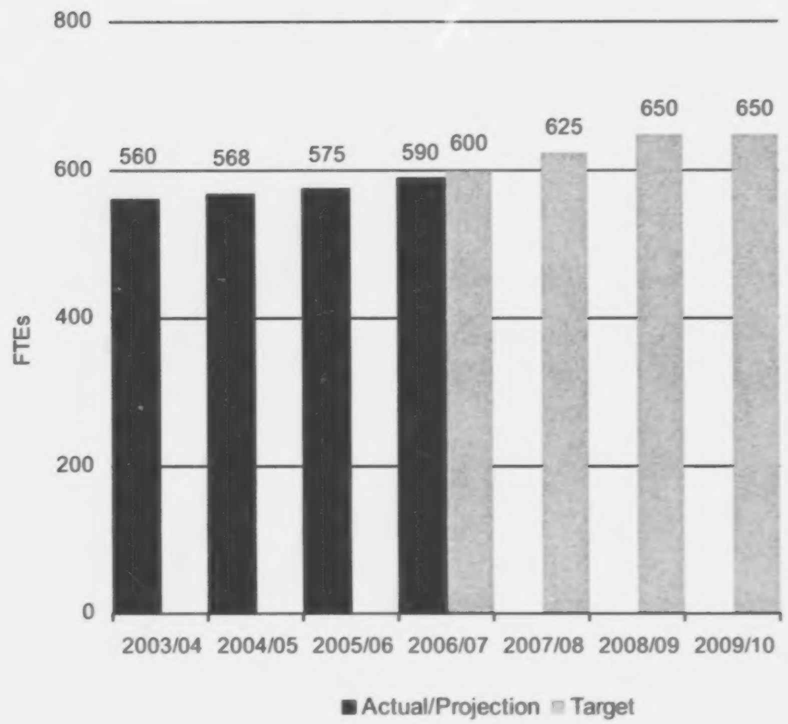
Key Performance Measure 3: Net Income



Importance

This performance indicator measures net income as recorded in BCLC's consolidated financial statements. This measure is directly linked to our goal of generating income for the public good. Over the next three-year period, net income is projected to increase from $989 million to $1.142 billion, an increase of $153 million or 15.5%. BCLC's strategies to transform and reinvent the lottery business to a growth business, the continuing development of eLottery as a viable business, the continued development and build out of casinos and community gaming centres to meet domestic demand and build long term tourism markets and building player participation and loyalty by providing a fun and entertaining gaming experience all support the achievement of this measure.

Key Performance Measure 4: Full Time Equivalents

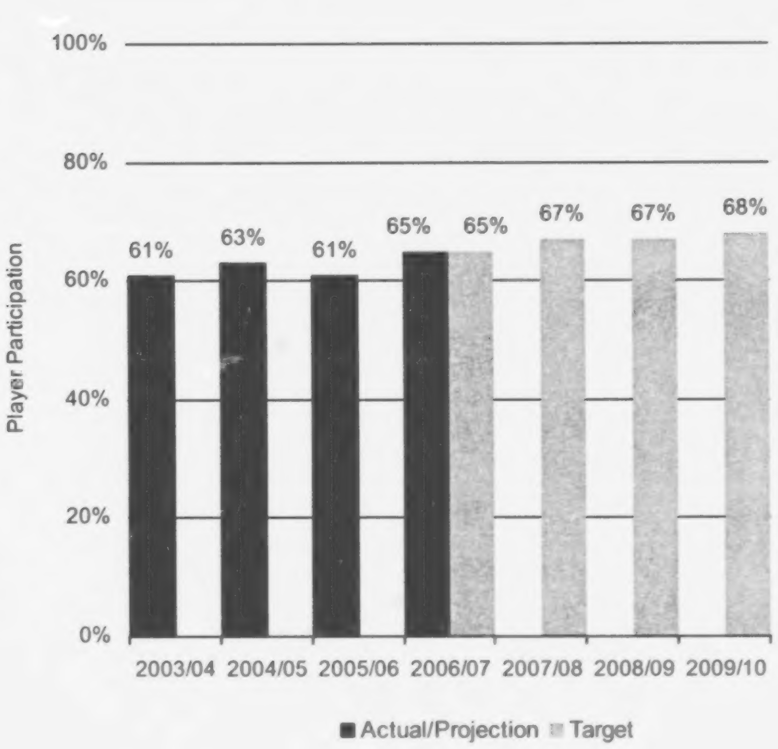


Importance

This performance indicator measures the number of full-time equivalents (FTEs) employed by BCLC. This is an important measure for the organization for two reasons. Firstly, at roughly 45% of our general operating costs, employee salaries and benefits represent BCLC's largest expenditure. Secondly and more importantly, it is only through the efforts of our employees that BCLC is able to achieve its goals and objectives.

Over the next three years, FTEs are projected to increase from 590 to 650. This increase reflects the growing size and complexity of BCLC's gaming business. Our employees are responsible for the conduct and management of the gaming industry in British Columbia that employees more than 10,000 people through our lottery, casino and bingo service providers. The increase in number of FTEs represents additional field staff to support new refurbished casinos and community gaming centres which are projected to come on stream during the planning period.

Key Performance Measure 5: Player Participation

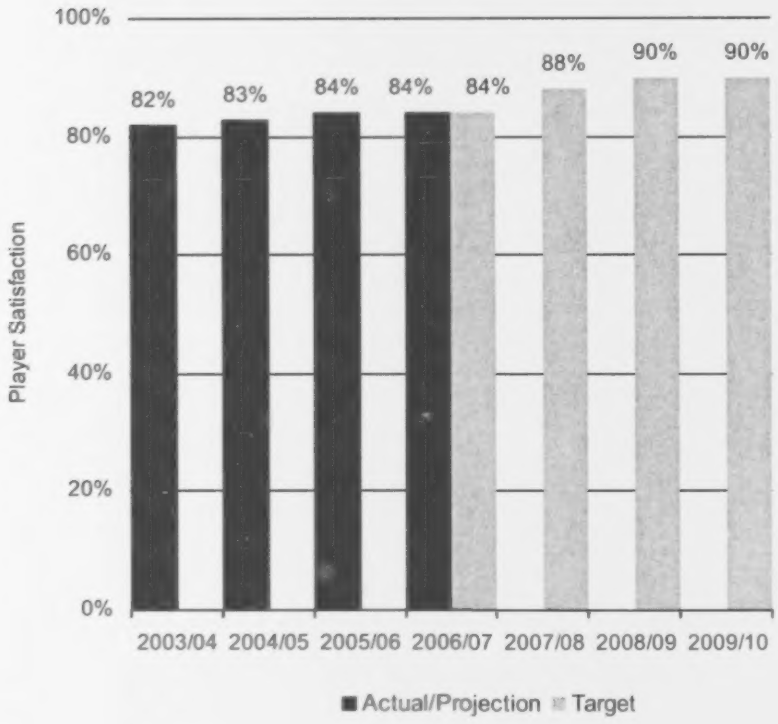


Importance

This performance indicator measures the gaming participation rate of British Columbia adult residents who have played a lottery game or visited a bingo or casino facility in British Columbia in the past month. Within the framework of Government policy, it is BCLC's objective to achieve a high level of public participation while emphasizing responsible play. This measure relates to the strategy of building player participation and loyalty by providing a fun and entertaining gaming experience.

Over the next three-year period, it is BCLC's objective to increase player participation from 65% to 68%. New innovative products and high-quality gaming facilities are aimed at increasing public participation by providing games and entertainment that appeal to new players, while maintaining our existing player base.

Key Performance Measure 6: Player Satisfaction



Importance

This performance indicator measures player satisfaction for the games and gaming facilities offered through the lottery, casino and bingo gaming channels. This performance measure is directly linked to our goal to provide outstanding gaming entertainment and is a key factor in our ability to generate net income for the public good.

Player satisfaction has been maintained in the 80% range over the last several years. Through innovative product development and continuing improvement in our gaming facilities, it is our objective to increase player satisfaction to 90% by fiscal 2008/09.

Goal #2: To be a Respected Organization that has a Broad Base of Public Support

STRATEGIES
5. Build public and stakeholder trust and support, including the communication of the beneficiaries of gaming revenues and responsible gaming programs

PERFORMANCE MEASURES (%)	FISCAL 2005/06 ACTUAL	FISCAL 2006/07 PROJECTIONS	FISCAL 2007/08 TARGETS	FISCAL 2008/09 TARGETS	FISCAL 2009/10 TARGETS
Public Support of Gaming	51	52	52	52	52
Public Support of BCLC	67	65	65	65	65
Public Recognition of Social Responsibility	56	56	56	56	56
Public Awareness of Beneficiaries of Gaming	36	32	35	40	40

BCLC's success in the marketplace is dependent on public support. BCLC measures public support through four key measures: public support of gaming; public support of BCLC; public recognition of social responsibility; and public awareness of beneficiaries of gaming.

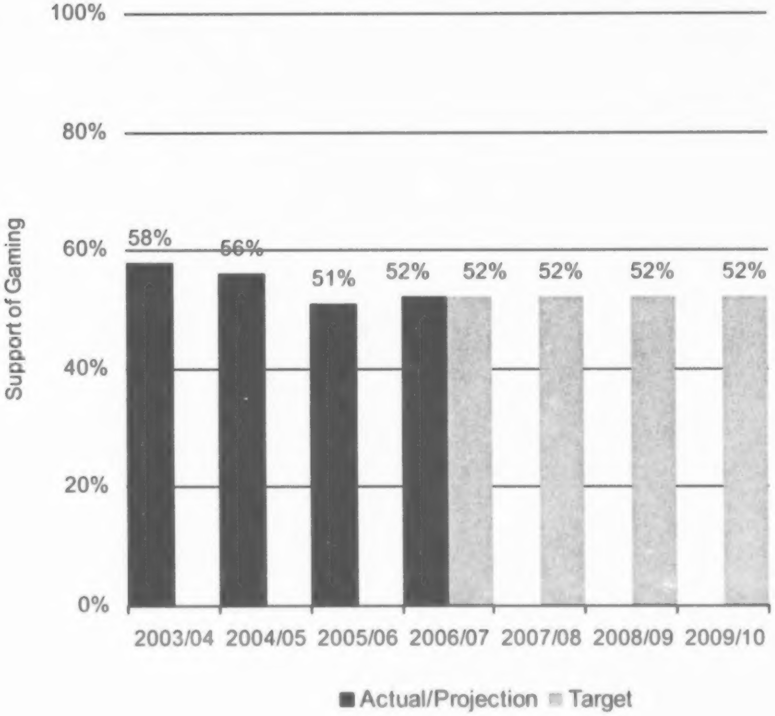
The achievement of BCLC's goal to be a respected organization that has a broad base of public support is supported by the following initiatives:

> Increase the public's awareness of the beneficiaries of gaming revenues. This will be accomplished through public communication programs.

> In partnership with GPEB, execute best practice responsible gambling programs including:
  - Continue the three-year responsible gambling strategic plan
  - Expand the British Columbia Partnership for Responsible Gambling
  - Expand responsible play information centres
  - Enhance youth prevention initiatives
  - Continue responsible gambling training with frontline gaming workers

> Maintain, improve and protect the integrity of our games, services and business operations

Key Performance Measure 7: Public Support of Gaming

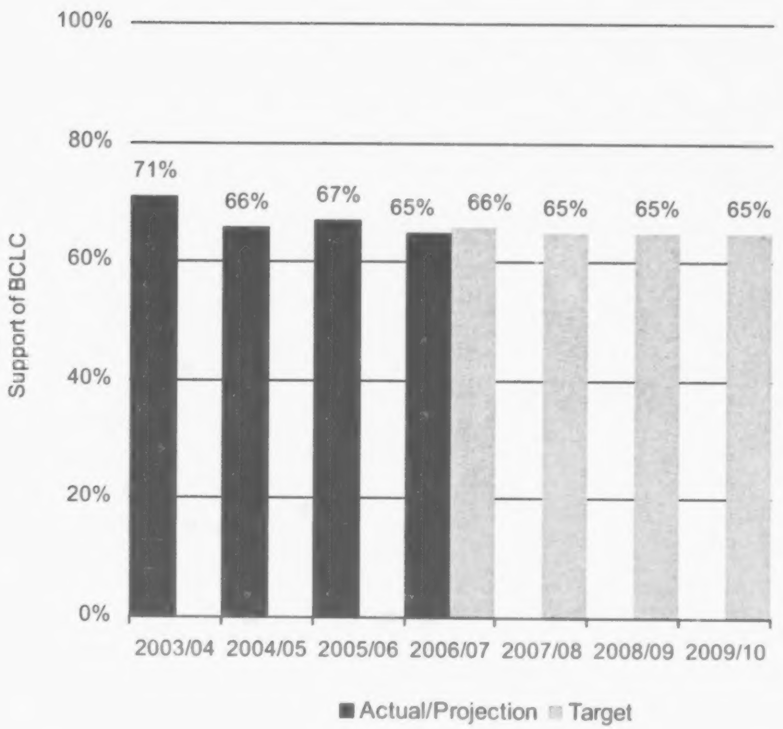


Importance

This performance indicator measures the percentage of adults in British Columbia who have a favourable impression of how gaming is managed and conducted in British Columbia. Gaming in Canada is inherently controversial. With increasing levels of gaming, continuing concerns over the impacts of problem gambling in local communities and a lack of awareness of how gaming revenues are spent, public acceptance for gaming in British Columbia and across Canada has been declining for a number of years.

Through the continuing development of "best of practice" responsible gaming programs, by raising the public awareness of the beneficiaries of gaming and by ensuring the integrity and security of our games, it is BCLC's objective to maintain public support of gaming at current levels.

Key Performance Measure 8: Support of BCLC

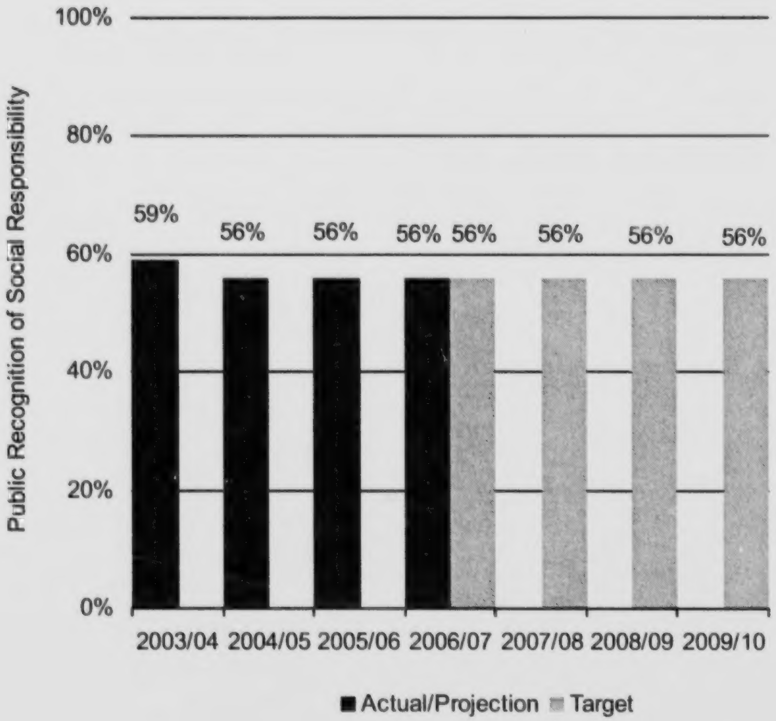


Importance

This performance indicator measures the percentage of adults surveyed in British Columbia who have a favourable impression of BCLC. As with public support of gaming, this measure is important as it serves as the foundation for BCLC to offer responsible gaming to the public in British Columbia.

By offering innovative socially responsible gaming, by being involved in the communities where we sell our products and by raising public awareness of the beneficiaries of gaming, it is BCLC's objective to maintain public support at current levels.

Key Performance Measure 9: Public Recognition of Social Responsibility



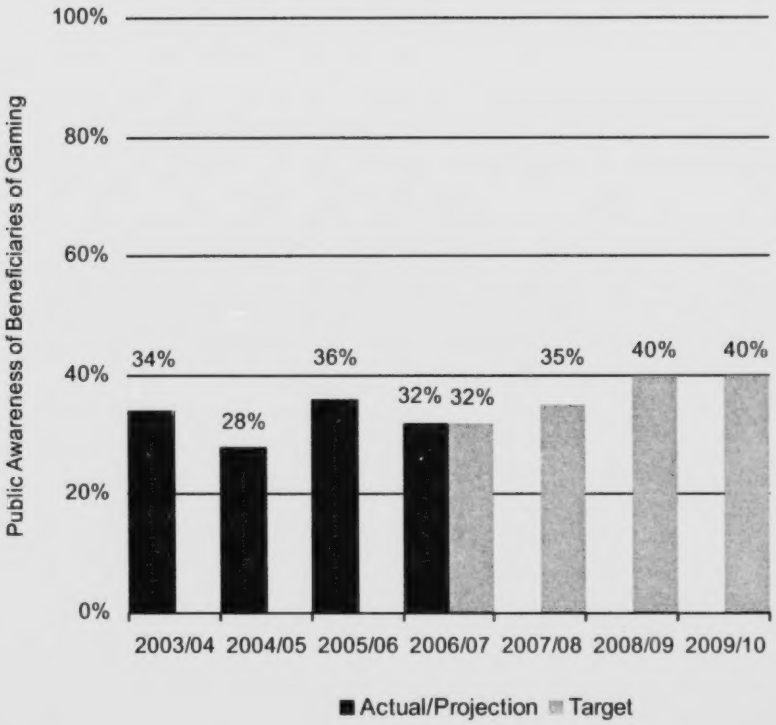
Importance

This performance indicator measures the percentage of adults in British Columbia who agree that the Corporation markets gaming in a socially responsible way. BCLC is committed to promoting the responsible use of our products. We take our responsibility to deliver commercial gaming in the province in a manner that considers the impact on the people and communities of British Columbia very seriously.

BCLC works in partnership with Government, gaming service providers and those involved in the prevention and treatment of problem gambling to encourage the safe and healthy use of our products. This includes an established partnership with GPEB which regulates gaming and manages the province's Problem Gambling Program.

Through the continuing development of socially responsible games and our continuing partnership with Government and other key stakeholders, it is our objective to maintain the public's awareness of BCLC's commitment and involvement in responsible gaming at current levels over the next three years.

Key Performance Measure 10: Public Awareness of the Beneficiaries of Gaming



Importance

This performance indicator measures the percentage of adults in British Columbia who have an awareness of how gaming income is distributed. This measure is important because public awareness of the beneficiaries of gaming is directly related to public acceptance of gaming and BCLC.

BCLC offers great gaming entertainment experiences and chances to win prizes. In addition to the more than $640 million in prizes that was paid out to players in fiscal 2005/06, the Corporation also paid out $466 million to our retailers and service providers who distribute and deliver our games. The greatest beneficiaries of gaming though are the residents of British Columbia. In fiscal 2005/06, BCLC generated $922.7 million in net income that was used to support key Government programs including health care, education and recreation. This net income was also distributed to local communities that offer our gaming products and to charitable and community organizations throughout British Columbia.

Through continuing involvement in the communities where we operate and programs that raise public awareness, it is BCLC's objective to increase the public awareness of the beneficiaries of gaming from 32% to 40% over the next three years.

Goal #3: To Have a Workforce Passionately Driving the Success of Our Business

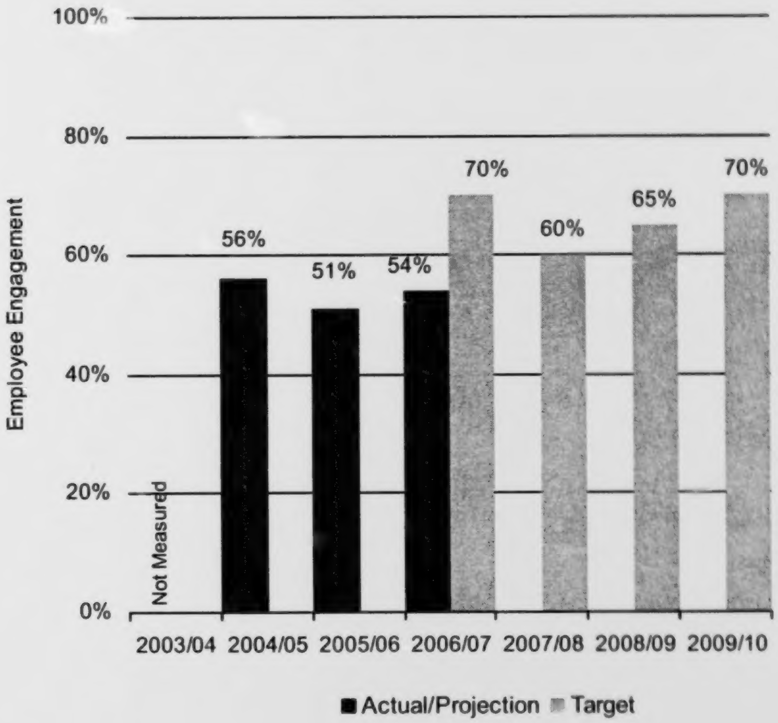
STRATEGIES
6. Create a high performance culture

PERFORMANCE MEASURES (%)	FISCAL 2005/06 ACTUAL	FISCAL 2006/07 PROJECTIONS	FISCAL 2007/08 TARGETS	FISCAL 2008/09 TARGETS	FISCAL 2009/10 TARGETS
Employee Engagement	51	54	60	65	70

The achievement of BCLC's goal to have a workforce passionately driving the success of our business is supported by the following initiatives:

- Build leadership and management talent
- Identify and improve key workplace people practices and work processes
- Ensure both talent and succession planning meets current and future workforce needs
- Imbed innovation into the culture of the organization

Key Performance Measure 11: Employee Engagement



Importance

This performance indicator measures the overall engagement of BCLC employees. Employee engagement is defined as the state of intellectual and emotional involvement employees have in an organization. Highly engaged employees exert extra effort and are dedicated to doing the very best job possible to contribute to the organization's success. Organizations with high employee engagement are more successful at retaining and recruiting employees.

At 54%, BCLC's engagement results are close to the North American average of 55% and less than the Canadian average of 62%. Although it is proving to be more difficult than anticipated and taking longer than expected, BCLC is fully committed to improving employee engagement in the organization.

Through programs that support employee recognition, development and productivity, it is BCLC's objective to increase employee engagement from 54% to 70% over the next three-year period.

ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN

As a Crown corporation, BCLC was established by Government to conduct and manage gaming in British Columbia. The goals and objectives of BCLC go beyond generating revenue for Government and include ensuring gaming is delivered in a socially responsible way and to promote both economic development and strong vibrant communities in British Columbia. This section is intended to illustrate how the goals and objectives of BCLC are aligned with the strategic direction of Government.

GOVERNMENT STRATEGIC PLAN GOVERNMENT GOALS	BCLC SERVICE PLAN BCLC ALIGNMENT
> To make British Columbia the best educated, most literate jurisdiction on the continent. > To lead the way in North America in healthy living and physical fitness. > To build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors. > To lead the world in sustainable environmental management, with the best air and water quality and the best fisheries management, bar none. > To create more jobs per capita than anywhere else in Canada.	> Fiscal 2005/06 net income of $922.7 million generated for key Government programs including healthcare, education and physical fitness. > Government gaming revenues of $137.7 million that provide funding to nearly 6,000 charitable organizations, including many that support healthy living, physical fitness and parent advisory groups that support education in British Columbia. > BCLC has implemented environmentally friendly policies including recycled paper for ticket printing, recycling computers back into the school system and Power Smart facility initiatives. > There are about 10,000 people who are directly employed in the gaming business in British Columbia with close to $1 billion dollars invested in property assets, pursuant to contracts established and managed by BCLC.

ALIGNMENT WITH SHAREHOLDER'S LETTER OF EXPECTATIONS

Requirement	Status
> Optimize the Corporation's financial performance within the gaming and social policy framework established by the Shareholder	> Within the gaming and social policy framework established by Government, BCLC is projecting to generate $989 million in net income for Government in fiscal 2006/07, $49 million greater than budget.
> Improve the performance of casino, bingo and lottery gaming through new products and approaches in response to customer and marketplace demand	> BCLC is projecting revenue and net income growth for each of its business units over the three-year planning period. The Corporation will continue to focus on developing new innovative products and distribution channels that provide an exceptional gaming entertainment experience to the player.
> Ensure the Corporation's products are provided in a socially responsible manner	> BCLC and GPEB have jointly developed and implemented the Provinces' Responsible Gaming Strategy, which engages municipalities, the gaming industry and social agencies on three goals: i. Reduce the incidence of problem gambling ii. Reduce the harmful impacts of excessive gambling iii. Ensure the delivery of gaming in a manner that encourages responsible gambling and healthy choices
> Improve the quality of the casino product with better locations and casinos sized to suit the market	> Over the last several years BCLC has made significant progress in upgrading existing casino facilities. Specifically, major upgrades have been completed in the following casinos – Richmond River Rock Casino, Vancouver Edgewater Casino, Coquitlam Boulevard Casino, Langley Cascades Casino and Prince George Treasure Cover Casino. BCLC's Service Plan provides for the continued improvement and enhancement of existing casinos to provide the player with high-quality gaming entertainment.
> Develop and maintain a sound, responsive and adaptive technology infrastructure	> BCLC continues to invest in its gaming and technology infrastructure. Over the last several years we have replaced our online lottery gaming system and made major improvements and enhancements to our casino and bingo systems. Currently, we are in the process of upgrading our lottery network from older analog technology to new Internet Protocol technology that will result in grater data transmission speeds, greater bandwidth and reduced cost.

Requirement	Status
> Build public and key stakeholder trust/support, improve the quality of service to customers and improve relationships with service providers	> Building public and stakeholder trust, improving the quality of service to customers and improving our relationship with service providers remain key objectives for BCLC
> Comply with policy directives issued by the Minister	> BCLC complies with all policy directives issued by the Minister, including all directives and standards that are issued under the *Gaming Control Act*.
> Operating the business in an efficient and effective manner for the benefit of its customers and the Shareholder	> BCLC continues to manager the business with the goals of achieving the highest levels of operational efficiency and effectiveness. Since fiscal 1999/00, BCLC has been successful in reducing operating costs as a percentage of sales from 6.0% to 4.6%
> Meet and/or improve on BCLC's financial and non-financial performance going forward	> BCLC's Service Plan includes initiatives that are aimed at maintaining or improving the results from all of our key performance measures. Over the next three-year planning period, net income is projected to increase by $153 million or 15%.
> Participate with the Ministry of Public Safety and Solicitor General in the preparation and presentation of a Strategic Plan for BCLC's Conduct and Management of Gaming including the proposed Consent to Operate Strategy	> BCLC is currently working in conjunction with Government to prepare a new three-year strategic plan for the Conduct and Management of Gaming, including further program development for responsible and problem gambling.

SUMMARY FINANCIAL OUTLOOK

REVENUES ($ in millions)	FISCAL 05/06 ACTUAL	FISCAL 06/07 PROJECTION	FISCAL 07/08 BUDGET	FISCAL 08/09 TARGET	FISCAL 09/10 TARGET
Lottery	$967.4	$980.0	$1,025.0	$1,090.0	$1,170.0
Casino	1,085.3	1,190.0	1,240.0	1,285.0	1,330.0
Bingo	208.0	220.0	230.0	250.0	260.0
	$2,260.7	$2,390.0	$2,495.0	$2,625.0	$2,760.0
EXPENDITURES					
Lottery	694.2	703.9	737.5	784.2	839.6
Casino	463.7	513.5	538.7	558.5	580.5
Bingo	180.1	183.6	185.8	195.3	197.9
	$1,338.0	$1,401.0	$1,462.0	$1,538.0	$1,618.0
NET INCOME					
Lottery	273.2	276.1	287.5	305.8	330.4
Casino	621.6	676.5	701.3	726.5	749.5
Bingo	27.9	36.4	44.2	54.7	62.1
Total	$922.7	$989.0	$1,033.0	$1,087.0	$1,142.0
Debt	$0.0	$0.0	$0.0	$0.0	$0.0
Due to Government of BC	$175.5	$191.5	$197.0	$207.3	$217.9
Capital Expenditures	$82.9	$43.0	$85.0	$80.0	$80.0
FTEs	575	590	625	650	650

Analysis

> Revenues are projected to increase by $370 million or 15.5% over the forecast period

> Net income is projected to increase by $153 million or 15.5% over the forecast period

> Revenue growth from the lottery business will come from the introduction of new innovative games and the continuing development of the new eLottery channel

> Growth from the bingo business will come from the build out of community gaming centres with [illegible]

> Revenue growth from the casino business will come from the continued development of existing properties and continuing refreshment of slot machines with new higher entertainment games

> Capital expenditures are projected to remain relatively stable at about $80 million per annum over the three-year planning period

KEY ASSUMPTIONS

British Columbia Real Gross Domestic Product

GDP growth of 3.0% forecast for fiscal 2007 and 2008 and 3.1% for 2009.

Lottery

Planned product releases of new lottery games will be on schedule.

Casino

The relocation of the Royal City Star casino to the new Queensborough location will occur on schedule in January 2008.

The racetrack casino at Hastings Park will open in fiscal 2008/09.

Bingo

Five planned openings of community gaming centres with slot machines will open on schedule during fiscal 2007/08.

Government Approvals

Revenue and net income assumptions are based on BCLC obtaining all necessary host local government approvals required under the *Gaming Control Act* on a timely basis for the relocation or opening of new facilities.

BCLC receives all necessary Government approvals for launching new games.

Market Place

Casino revenues are not further impacted by cross-border competition.

Unregulated Internet gaming will not be a significant competitive threat to British Columbia gaming revenues.

British Columbia casino and bingo marketplace capacity studies are accurate.

BCLC market forecasts for new lottery products are accurate.

Cost of Services

Inflation has been assumed at 2% over the planning period. Interest rates have been assumed at 4.6% for fiscal 2007/08 and 5.0% for fiscal 2008/09 and fiscal 2009/10.

Gaming Policy

No major changes to BCLC's mandate or Government's policy on gaming are made.

Provincial Smoking Ban

No impact of the proposed provincewide smoking ban announced for January 1, 2008 has been taken into consideration in this Service Plan forecast. However, the possible financial risk has been considered in BCLC's risk and sensitivity analysis. BCLC is undertaking further research on the possible financial impact of the smoking ban in British Columbia before considering any adjustments to the forecast.

NET INCOME RISK AND SENSITIVITY PROJECTIONS

BCLC's net income projections are subject to considerable risk. Events that could impact BCLC's net income projections include:

- The ability of BCLC and Government to maintain and build public acceptance for gaming in British Columbia
- Delays in obtaining host local government approvals for the development or rebuilding of casino and bingo properties
- The capacity and ability of the Corporation's casino and bingo service providers to build out approved facilities
- Economic issues that result in a reduction in personal disposable income
- The number and size of lottery jackpots
- The ability of the Corporation to develop and launch innovative new lottery products to transform a mature lottery business and achieve projected lottery revenues
- The ability of the Corporation to reinvent and transform a declining bingo business
- Increasing competition from regulated and unregulated gaming competitors
- The effects of Government's proposed total smoking ban in public facilities that will be implemented in January 2008

Of the risk factors identified, BCLC considers the most significant risks to be the ability of BCLC to maintain and build public trust, economic issues that may result in a reduction in disposable income and the potential effects of the proposed Government ban on smoking in public facilities.

BCLC has only identified risks that result in a reduction in net income. Other factors such as a greater number of lottery jackpot rollovers, earlier than anticipated host local government approvals and increases in personal disposable income could result in higher than project net income. As the likelihood of these events is considered low and the revenue impact not material, no estimate on possible net income increases have been included in the projections.

The following table represents the projected net income from gaming operations that may be at risk:

GAMING CHANNEL	2007/08 (in millions)	2008/09 (in millions)	2009/10 (in millions)
Lottery	$ 20.0	$ 45.0	$ 55.0
Casino	20.0	55.0	65.0
Bingo	10.0	20.0	20.0
Total	$ 50.0	$ 120.0	$ 140.0

CAPITAL PLAN AND MAJOR CAPITAL PROJECTS

GAMING SYSTEMS	2005/06 ACTUAL	2006/07 FORECAST	2007/08 FORECAST	2008/09 FORECAST	2009/10 FORECAST
Lottery	21,911	12,157	23,000	15,000	15,000
Casino	53,007	14,761	44,500	43,000	43,000
Bingo	4,063	8,453	10,500	15,000	15,000
	78,981	35,371	78,000	73,000	73,000
CORPORATE FACILITIES AND EQUIPMENT					
Facilities	1,603	834	2,500	2,000	2,000
Corporate Systems	2,296	6,863	4,500	5,000	5,000
	3,899	7,697	7,000	7,000	7,000
Total Capital	$82,880	$43,068	$85,000	$80,000	$80,000

BCLC's capital spend is projected at $43.1 million for fiscal 2006/07, about $40 million less than fiscal 2005/06 actuals and the 2007/08 forecast. The decision not to proceed with the opening of the Hastings Racetrack casino and the delay in the opening of some community gaming centres resulted in a lower capital spend.

BCLC is projecting an annual capital spend of $85 million in fiscal 2007/08 and $80 million in fiscal 2008/09 and 2009/10. The projected capital spend provides for new slot machines and the replacement of obsolete slot machines in the casino network, the development of new games and continued development of the eLottery channel to support the transformation and reinvention of the lottery business and gaming systems and slot machines to support the build out of community gaming centres.

The capital budget also includes funding for upgrades to the Corporation's technical infrastructure that support gaming operations and funding for maintaining and upgrading the Corporation's facilities in Kamloops and Richmond.

BCLC does not have any individual capital programs where the total commitment exceeds $50 million.

APPENDIX 1 – PERFORMANCE MEASURE DESCRIPTIONS

Fiscal 2007/08 Performance Measures

1. Revenue

This category measures the Corporation's total revenues as reported in the consolidated financial statements.

2. General Operating Cost Ratio

This category measures the ratio of operating costs as a percentage of sales. Operating costs include all costs, excluding direct costs, amortization, other income and GST.

3. Net Income

This category measures the Corporation's net income as reported in the consolidated financial statements, in accordance with generally accepted accounting principles.

4. FTEs

This category measures the number of full-time equivalents employed by BCLC. FTEs are calculated by dividing the total number of regular hours worked by 1,920, the standard number of work hours in a year.

5. Player Participation

This category measures the gaming participation rate of British Columbia adult residents who have played a lottery game or visited a bingo or casino facility in the province in the past month. This information is obtained through a continuous tracking study completed by an external research supplier.

6. Player Satisfaction

This category measures overall player satisfaction for the games and facilities offered by the lottery, casino and bingo business units. Through both a continuous tracking study and exit interviews, players are asked to use a 5-point scale to rate their satisfaction with "5" being excellent and "1" being poor. Player satisfaction is based on the top three boxes.

7. Public Support of Gaming

This category measures the percentage of adults in British Columbia who have a positive perception of how gaming is conducted and managed in British Columbia. In a continuous tracking study conducted by an external research supplier, respondents are asked to use a 7-point scale whereby "1" is strongly disagree and "7" is strongly agree to rate the statement, "I fully support the existence of legalized gaming in British Columbia." Support for gaming is based on the top three box responses.

8. Public Support of BCLC

This category measures the percentage of adults surveyed in British Columbia who have a favourable impression of BCLC. In a continuous tracking study conducted by an external research supplier, respondents are asked if their impressions of the Corporation are very favourable, somewhat favourable, somewhat unfavourable or very unfavourable. Support for BCLC is based on the total mentions of "very favourable" and "somewhat favourable."

9. Public Recognition for BCLC Social Responsibility

This category measures the percentage of adults in British Columbia who agree that the Corporation markets gaming in a socially responsible way. In a continuous tracking study conducted by an external research supplier, respondents are asked to use a 7-point scale whereby "1" is strongly disagree and "7" is strongly agree to rate the statement, "BCLC goes about marketing its games and products in a socially responsible way." Recognition of social responsibility is based on the top three boxes.

10. Public Awareness of the Beneficiaries of Gaming

This category measures the percentage of adults in British Columbia who have an awareness of how the income generated by gaming is distributed. In a continuous tracking study conducted by an external research supplier, respondents are asked whether they feel very well informed, somewhat informed, not very well informed or not at all informed about where the money goes. Awareness of the beneficiaries of gaming is based on the total mentions of "very well informed" and "somewhat informed."

11. Employee Engagement

This category measures the overall engagement of BCLC employees. Employees will be asked in a survey to rank their level of engagement in the organization over a broad range of attributes, including awareness of Corporate goals and strategies, innovation, empowerment and accountability.

This survey is completed by an external Human Resources consulting firm (Hewitt) as part of their cross-Canada survey of Canadian businesses and is published as part of the Globe and Mail's Report on Business – 50 Best Employers in Canada.

8

PAVCO

SERVICE PLAN

2007/08 – 2009/10

B.C. Pavilion Corporation (PavCo) Service Plan 2007/08 to 2009/10

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1 LETTER FROM BOARD CHAIR TO MINISTER RESPONSIBLE

I am pleased to present to the Minister of Tourism, Sport and the Arts the B.C. Pavilion Corporation (PavCo) Service Plan for Fiscal years 2007/08 to 2009/10.

PavCo is a Provincial Crown corporation that operates public facilities in British Columbia. It is mandated to generate economic benefits for the Province, with its core business being the active marketing, sales, and management of space in its facilities for conventions, trade and consumer shows, sporting, film production, and other events. A system of performance measures has been developed to track its progress in achieving this mandate.

Since publication of the previous Service Plan, PavCo's performance has been successful due to strong marketing activities which have resulted in event activity from a diverse client base and the occurrence of new business at its facilities. Although there has recently been significant media coverage regarding border security and the difficulty in attracting visitors to Canada from the USA, attendance by non-resident delegate visitors has met targets, and bookings for future years are on track with expectations. The convention market, which contributes a significant portion of PavCo's event and revenue base, is extremely competitive worldwide, as it provides significant benefits to national, provincial, and local economies. Now, and in the future, Vancouver will face increasing competition and pressure for business from this market segment. An aggressive marketing campaign is underway to promote awareness of the Expansion to the Vancouver Convention & Exhibition Centre, and sell space in the expanded facility.

Since preparation of the previous Service Plan, the Shareholder has directed PavCo to sell the Bridge Studios, and this process will complete in Fiscal 2007/08. PavCo has been working with management at the Vancouver Convention Centre Expansion Project to ensure a smooth transition upon the opening of the expanded Vancouver Convention & Exhibition Centre.

The air-supported roof at BC Place Stadium suffered a failure on January 5, 2007. The roof has been reinflated, and business has resumed at the facility. It is not expected that there will be a long-term impact on business at BC Place Stadium.

The 2007/08 – 2009/10 PavCo Service Plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions, and identified risks, as of January 30, 2007, have been considered in preparing the plan. The performance targets in this plan have been determined based on an assessment of PavCo's operating environment, forecast conditions, risk assessment and past performance.

On behalf of the Board of Directors, I would like to thank management and staff for their ongoing commitment to PavCo and their contribution towards the success of the organization.

Doris Bradstreet

DORIS BRADSTREET DAUGHNEY
BOARD CHAIR

PavCo Service Plan
Planning Period April 2007 – March 2010
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2 ORGANIZATIONAL OVERVIEW

Corporate Summary

PavCo has developed a reputation for excellence in the marketing and management of public facilities. Its facilities are operated to realize maximum economic benefits while optimizing financial performance. Through its activities, PavCo contributes to the growth of the tourism industry, as many out-of-town clients travel throughout British Columbia following the event. Vancouver Convention & Exhibition Centre (VCEC) is the provincial flagship for conventions, and leads initiatives to generate convention business throughout the Province.

The Corporation's mandate is:

> *To generate economic and community benefit for the people of British Columbia through the prudent management of public facilities.*

PavCo operates BC Place Stadium (BC Place), VCEC, and the Bridge Studios. BC Place and VCEC are located in downtown Vancouver, and the Bridge Studios in Burnaby, British Columbia.

Enabling Legislation

B.C. Pavilion Corporation is a British Columbia corporation incorporated in 1984 under the *Company Act* of British Columbia, continued under *the Business Corporations Act*.

B.C. Pavilion Corporation registered PavCo as a business name under the *Partnership Act (British Columbia)* on September 23, 1999.

There are also a number of other statutes relevant to B.C. Pavilion Corporation - the most significant being the *British Columbia Enterprise Corporation Act,* which names it an agent of the government, binds it by the same laws as the government, and gives it the same immunities as the government.

Corporate Governance

PavCo is responsible to the Minister of Tourism, Sport and the Arts through a Board of Directors appointed by the Minister responsible.

The Board of Directors provides leadership and direction to the organization in a manner consistent with the policies and directives from the Provincial Government. Governance matters are communicated to the Board through the annual Shareholder's Letter of Expectations. A Shareholder's Letter of Expectations between the Shareholder and PavCo was signed in 2006. This letter is an agreement of the respective roles and responsibilities of each and serves as the basis of agreement between the Shareholder and PavCo including the high-level performance expectations, public policy issues and strategic priorities. The letter is located on our website at **http://bcpavco.com** .

The Board currently has two standing committees: Audit and Finance (A), and Governance (G). The Audit and Finance Committee monitors financial policies and reporting, internal controls, conflicts of interest and other related matters. The Governance Committee deals with governance and board effectiveness, staffing and compensation issues, and the implementation of all structural changes to the organization. Both committees review and develop matters in their specified areas and make recommendations to the Board.

The Board of Directors meets at least four times each year, and the committees meet as needed.

PavCo's Board members and committees served are:

Doris Bradstreet Daughney (A) (G)
Norm Assam (A)
John Horning (A) (G)
Daniel Jarvis (G)
Miriam Kresivo (A) (G)

The Board of Directors has adopted the guiding principles included in the Provincial Government's Governance Framework that provides an understanding of the roles and responsibilities for all parties that are part of the Crown Corporation Governance Environment:

- Stewardship, leadership and effective functioning of the Board
- Clarity of roles and responsibilities
- Openness, trust and transparency
- Service and corporate citizenship
- Accountability and performance, and
- Value, innovation and continuous improvement.

Business Units

2.1.1 Vancouver Convention & Exhibition Centre

With 132,764 square feet of function space strategically located between a spectacular waterfront setting and all the major visitor amenities of Vancouver's downtown core, the VCEC is British Columbia's premier meeting and convention facility. Since opening in 1987 the VCEC has steadily enhanced its market profile and reputation, culminating in the 2002 International Apex Award for "World's Best Convention Centre" from the Brussels-based International Association of Convention Centres.

Currently, the facility can accommodate a range of events, with a focus on conventions that generates up to 3,000 delegates for a full convention program.

VCEC operates with a small core of administrative employees, and wherever appropriate, the provision of services to clients is contracted to third party operators. These service contracts are tendered and are performance based.

Marketing and sales activity is underway for the expanded convention centre. The Expansion is immediately to the west of the current building. It will more than triple the size of current facilities and enable the VCEC to host multiple simultaneous events as well as large single events with upwards of 5,000 delegates. Construction of the Expansion is the responsibility of Vancouver Convention Centre Expansion Project (VCCEP). PavCo is working with VCCEP and the Shareholder to determine the most efficient governance model for VCEC to ensure a seamless transition of operations upon opening, and continuing success for the facility.

VCEC will be the main Press and Media Centre for the 2010 Winter Olympic and Paralympic Games, and has contracted space in the expanded facility from September 2009 through March 2010.

2.1.2 BC Place

Opened in 1983, BC Place is the world's largest air-supported domed stadium. With seating for 60,000 and 247,000 sq. ft. of exhibition space, BC Place is British Columbia's largest public gathering and meeting space.

In addition to being the venue for many annual trade and consumer shows, professional sporting and special events, BC Place hosts a variety of banquets and community sporting events.

In-house staff are responsible for marketing, administration and operations of the facility. When it is determined that third party suppliers can more effectively provide these services, contracts are negotiated.

At over 20-years old, the look and structure of BC Place has not been significantly upgraded since construction. Management is working with the Shareholder to determine improvements that will both extend the useful life of the building and bring it up to standards expected by users.

BC Place will be the host facility for the Opening and Closing Ceremonies for the 2010 Winter Olympic Games, and the Opening Ceremonies for the 2010 Winter Paralympic Games.

2.1.3 Bridge Studios

Located in Burnaby, the Bridge Studios has been owned by PavCo since 1989. With over 190,000 sq.ft. of production space, the Bridge Studios plays a central role in the film production industry of British Columbia, is home to several TV productions, and is the location for the production of many feature movies.

Space at the Bridge Studios is rented to film production companies. Management provides basic facilities and services to clients, who use outside suppliers for the provision of their operational needs.

The 2006 Shareholder's Letter of Expectations directed that PavCo sell the Bridge Studios. The process commenced in August 2006.

3 STRATEGIC CONTEXT

Vision, Mission, Values

VISION

To be a recognized leader in event facility management.

MISSION

To provide an event experience that exceeds the expectations of our clients and guests.

VALUES

Quality and Service – We set and meet the highest standards of service.

Respect, Fairness, and Honest Communication – We treat each other as we wish to be treated, and we openly share information to increase employee understanding and meaningful involvement.

Financial Responsibility – We make significant economic contributions to the Province and generate revenues to offset our operating costs.

Creativity and Innovation – We take responsible risks to find better ways, new methods and processes to get the job done.

Enthusiasm – We show our enjoyment of our work.

Environmental Responsibility – We continually look for new ways of conducting our business to reduce environmental impacts.

Integrity – We apply our values and deliver our promises.

Key Strategic Issues

3.1.1 The Vancouver Convention & Exhibition Centre

VCEC operates in a highly competitive, private sector driven business with international service standards. It must therefore be competitive in terms of international expectations and be sensitive to the evolving dynamics of the industry. This is particularly important when many industry parameters are undergoing fundamental changes. Recent major growth in convention centre capacity, particularly in the U.S. have created a buyer's market where many centres have raised the bar by using financial incentives and subsidies in order to secure major conventions. Furthermore, a concentration of buying power, a trend toward commoditization, and the use of metrics-oriented purchasing policies have formalized the site decision process.

The VCEC has achieved a well-balanced mix of business from regional, national, U.S., and international markets, which has stabilized its operation through the economic and security-related disruptions of the past few years. VCEC has been operating at essentially full capacity, given seasonal business distribution, for a number of years.

Opportunities for business growth in the current building have focused on developing new service products, improving the flexibility of space to maximize utilization, and concentrating on high-yield business to achieve the best economic return on assets.

VCEC management is participating in the design development process for the Expansion to ensure that the Shareholder's goals for economic generation are met. Management is also actively engaged in the development and expansion of staffing and operational systems appropriate to the demands of the expanded facility and the new business levels expected. Renovation plans are being developed for the existing building, to ensure an integrated facility with consistent quality of fit and finish.

VCEC staff are committed to maximizing the number of non-resident delegates and exhibitors booked at events, as they generate the highest economic returns to British Columbia. VCEC has joined forces with industry partners and embarked on an aggressive marketing campaign to ensure that the facility is appropriately positioned in the market. VCEC must maintain business levels in the existing centre, which will remain operational throughout construction. VCEC is expanding marketing efforts with a number of partnership activities with industry and facility organizations. In addition, VCEC is working with Conventions BC, a consortium of convention centres, to enhance overall provincial business opportunities and share the anticipated business growth arising from expansion with the other regions. The VCEC will also play a pivotal role as a combined media and broadcast centre for the 2010 Winter Olympic Games.

3.1.2 BC Place

BC Place, completed in 1983, was built as an economic engine to expand business opportunities for British Columbia. This goal has been fully met. Located on 13.5 acres in downtown Vancouver, it is ideally situated to attract its core business. However, it is facing increased pressure to utilize the site more intensively as a result of extensive residential development in adjacent neighbourhoods.

BC Place will host the Opening and Closing Ceremonies, the medal awards ceremonies as well as the nightly cultural and entertainment events at the 2010 Winter Olympic Games. It will also host the Opening Ceremonies for the Paralympic Games. Some of the regularly scheduled events that would have occurred during the Olympic rental period will be cancelled or rescheduled to later in the year.

The facility is booked for over 200 days a year hosting a variety of trade and consumer shows, entertainment and sporting events. As Stadium occupancy is most concentrated during spring and fall, one of the most significant challenges continues to be limited availability of dates during this season. The facility's major trade and consumer shows all require spring and fall dates, which leaves limited availability for new shows or for existing shows to move dates. Compared to VCEC, most of the profitable business is from regional markets rather than from out-of-province attendees, and as a result, economic benefits generated by BC Place to British Columbia are lower than for VCEC.

Changes in the Stadium's business environment clearly point to the need to attract new events in off-peak periods, to diversify the mix of revenue sources, and maximize revenue opportunities from traditional and non-traditional sources. While opportunities for the growth of traditional team sports and trade show categories remain limited, other sports and live entertainment categories show promising potential for expansion. BC Place is BC's largest trade and consumer show venue and remains the only one capable of hosting a number of British Columbia's most successful shows. Changing market conditions are having an impact on the ability of the facility to recover its operating costs. At many other large sporting venues in North America, shifting game schedules prevent the hosting of other more profitable events. BC Place has the advantage of having no sporting events scheduled during the spring consumer show season and is therefore able to maximize its revenues from these shows.

The booking cycle for events is now accommodating events for the period up to and including 2012. Meanwhile, facility management is conducting a full assessment of future options for BC Place, including general refurbishment, status quo, and alternate uses. Upgrades are also needed to the facility in order to bring it up to the standards expected by clients.

3.1.3The Effects of Business Cycles on PavCo Operations

Changes in business cycles in local, national and world economies can have a significant impact on operations and economic benefits generated by PavCo's operating facilities.

VCEC relies on attendance from non-resident delegates and exhibitors at conventions to generate the majority of its economic benefits and profitability. As most major conventions are booked several years in advance, lower bookings as a result of world economic downturn can impact business for several years into the future. In addition to the convention business, VCEC relies on regional events booked at short notice in the remaining space, which maximize occupancy. These events are profitable, but produce lower economic benefits than conventions. In previous times, when the provincial economy was not so strong, the impact on PavCo was fewer meetings and declining attendance at consumer shows. Positive economic conditions have resulted in an increase in discretionary spending by clients. VCEC manages these natural business cycles by marketing to a diverse event mix and continually researching new markets.

At BC Place, most of the business caters to the regional market, and as a result attendance at trade and consumer shows fluctuates with local economic cycles. For sporting events, change in attendance and revenues is a result of the success of the sporting teams as well as discretionary spending available to fans.

3.1.4 Capital Repairs and Upgrades Required for Ageing Facilities

BC Place and VCEC are now both over 20-years old. Neither facility has been significantly upgraded since opening, and both require some renovation in order to meet expected client standards. Both facilities will be used for the 2010 Winter Olympic Games and Paralympic Games.

The existing VCEC facility is currently planned to undergo a partial retrofit as part of the Vancouver Convention Centre Expansion Project mandate after the Expansion has been completed, so that the combined facility will appear cohesive.

The scope of the renovations to BC Place will tie in to the overall development plan for the facility. Improvements for disabled access and general cleaning are planned for completion in 2009.

4 GOALS, OBJECTIVES, KEY STRATEGIES, PERFORMANCE MEASURES AND TARGETS

Strategic Goals

PavCo has the following four strategic goals:

- maximize revenues and economic growth, and use funding in a manner that provides optimum return to the Shareholder;
- maintain and increase client services and satisfaction;
- maintain and improve the facilities under our management; and
- increase innovation, learning and growth.

Goal 1 - Maximize revenues and economic growth, and use funding in a manner that provides optimum return to the Shareholder

We strive to achieve our mandate, which is to generate economic and community benefit for the people of British Columbia through the prudent management of public facilities. The events held at our facilities support British Columbia's business and leisure tourism industry, as well as its trade development infrastructure. Our clients and guests from out-of-Province fill hotel rooms, patronize provincial businesses, and conduct pre- and post-event activities throughout the Province.

PavCo also strives to meet its financial targets each year to ensure financial sustainability and to minimize its reliance on Shareholder funding. Client expectations and competition from other venues are causing downward pressure on revenues, while our ageing facilities and external challenges are creating an upward pressure on costs. It is important for PavCo to maximize private sector revenue and to use the funding provided in the areas most likely to generate long-term economic benefits to British Columbia and profitability to the organization.

Key Strategies

Improve the return to the Shareholder on its investment in PavCo's facilities, primarily through:

- seeking events which attract delegates and exhibitors from out-of-Province that will generate the maximum amount of economic benefits to our community;
- seeking events that will promote growth and support for British Columbia's business base;
- diversifying markets to stabilize long term business;
- repositioning our facilities as being more flexible to users; and
- increasing operational efficiencies.

Performance Measures and Targets

Compare economic benefits generated: Independent consultants are engaged to calculate the estimated net economic benefit to the Province generated by each PavCo facility. Net economic benefit to the Province is measured utilizing actual and estimates of the number of, and spending by, out of province exhibitors, delegates and others. In addition to the initial expenditures, this spending also produces a multiplier effect through the economy.

Actual results for Fiscal 2005/06 and projections for Fiscal 2006/07 were calculated in reports prepared in March 2006. Estimates for subsequent years have been prepared by PavCo management based on anticipated attendance and activity at the facilities.

	Actual	Forecast		Targets	
	05/06	06/07	07/08	08/09	09/10[1]
Performance Measure – Compare economic benefits generated					
VCEC	$202m	$218m	$220m	$249m	$347m
BC Place	$33m	$24m	$21m	$21m	$13m
Bridge Studios[2]	$246m	$250m	-	-	-
Offset by: PavCo deficit including capital expenditures, but before depreciation	($4.8m)	($4.8m)	($8.4m)	($12.4m)	$2.1m contribution

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[1] Benefits generated in 2009/10 do not include those related to activities at the 2010 Winter Olympic and Paralympic Games.

[2] Bridge Studios will be sold in early Fiscal 2007/08. Economic benefits will continue to accrue to the government through new owner if operating strategies remain consistent.

Operating subsidy for the facilities (before depreciation) - PavCo strives to retain the lowest subsidy levels possible at VCEC and BC Place while investing adequate resources to maintain the highest possible economic impact. The subsidy level at VCEC continues to rise as a result of advance marketing initiatives for expansion and preparations for operating the expanded facility. At BC Place, there is close to full occupancy in the main show season, but limited demand for space in the quieter summer months, resulting in an operating deficit.

	Actual	Forecast		Targets	
	05/06	06/07	07/08	08/09	09/10
Performance Measure – operating subsidy for the facilities (before depreciation)[3]					
VCEC	($2.526m)	($2.755m)	($3.694m)	($7.626m)	$5.121m contribution
BC Place	($4.160m)	($3.812m)	($4.273m)	($4.363m)	($2.516m)

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[3] The forecast operating subsidies are calculated as follows:

- Revenues are for events that have been booked at the facilities, plus business that is expected to be contracted up to the event date.
- Event expenses are based on those booked and expected to be contracted.
- Operating costs are based on those already contracted, plus those that are expected to be incurred based on historical experience.
- Capital repairs expenses are based on estimates required to maintain the facilities in the condition expected by clients.

Revenues at the Bridge Studios – Revenues at the Bridge Studios increase if high occupancy levels are maintained and stepped increases in existing rental agreements are achieved. Higher occupancy levels also result in increased generation of economic benefits.

	Actual	Forecast		Targets	
	05/06	06/07	07/08	08/09	09/10
Performance Measure – Revenues at the Bridge Studios					
Bridge [4]	$4.503m	$4.300m	-	-	-

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[4] The sale of the Bridge Studios will complete at the beginning of Fiscal 2007/08. No revenues are budgeted for that year.

Increased non-resident delegate days at VCEC - Most of the economic benefit generated by the VCEC is through the attendance of non-resident delegates at conventions. VCEC's first priority is to maximize the number of non-resident delegates visiting Vancouver. An aggressive marketing campaign is underway to promote awareness of the Expansion to the VCEC, and sell space in the expanded facility.

	Actual	Forecast		Targets	
	05/06	06/07	07/08	08/09	09/10[5]
Performance Measure – Number of non-resident delegate days at VCEC					
VCEC	139,283	150,000	152,000	168,000	230,000

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[5] During Fiscal 2009/10, the west (Expansion) portion of VCEC is anticipated to be open for business from January to August. At the same time, the existing VCEC building is scheduled to close for renovations. 2010 Winter Olympic and Paralympic Games have contracted to occupy the Expansion portion of the facility from September 2009 to December 2009, and the entire facility from December 2009 to March 2010.

Increased Attendance at BC Place - Increased attendance levels at BC Place drive higher sales of Stadium services, including food and beverage sales. As the number of patrons and events increase, the facility becomes more attractive to corporate sponsors, and the likelihood of purchasing interior signage and exclusive supply rights increases.

	Actual	Forecast		Targets	
	05/06	**06/07**	**07/08**	**08/09**	**09/10**
Performance Measure – Attendance at BC Place					
BC Place [6]	1,021,000	975,000	894,000	860,000	1,498,000

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[6] Attendance at BC Place for Fiscal 2007/08 to 2008/09 is expected to be at historical levels. Higher attendance occurred in Fiscal 2006/07 with concert activity and a football playoff game, and will occur in Fiscal 2009/10 with the 2010 Winter Olympic Games and Paralympic Games. Playoff games for football are not budgeted due to inherent uncertainty.

Goal 2 – Maintain and increase client services and satisfaction

By increasing satisfaction of our customers, PavCo's reputation as an organization capable of attracting and producing world-class events will drive future attendance levels. This will further enable us to achieve our primary goal of maximizing economic growth to British Columbia. Many of our guests from out-of-province spend extra time in the region post event, and later, return with their families as tourists.

Key Strategies

- continue to provide a high level of service to support retaining our customers;
- work with our partners in tourism to attract those guests who will bring the greatest amount of benefits to local and Provincial economies; and
- promote our facility as the preferred venue for client target markets.

Performance Measures and Targets

Service Quality Survey Scores – We conduct Quality Surveys with clients and guests to determine their expectations and satisfaction levels. We will improve service levels where possible. The event business is very competitive, and client satisfaction is critical. Negative experiences can lead to clients failing to return, or not recommending our facilities to other potential clients.

	Actual	Forecast		Targets	
	05/06	06/07	07/08	08/09	09/10
Performance Measure – Service Quality Survey Scores					
VCEC[7]	84%	80%	78%	75%	75%
BC Place	87%	85%	85%	85%	85%

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[7] Service quality scores at VCEC are expected to decline as a result of noise and disruption from nearby construction. In addition to the Expansion, there is a major hotel construction project adjacent to the Expansion, and work on transportation infrastructure will continue until Fiscal 2010. Also, the VCEC infrastructure is ageing and fit and finish is falling below clients' expectations. A partial retrofit is expected following opening of the Expansion. Staff remain committed to providing the highest levels of service.

Percentage retention of existing business – At BC Place, most of our business is from repeat clients who return on a regular basis. We strive to retain our core business. It is very costly to attract new events, and also disruptive to shows if event schedules are changed. We will improve our service levels wherever possible in order to retain business.

	Actual	Forecast		Targets	
	05/06	06/07	07/08	08/09	09/10[8]
Performance Measure – Percentage retention of existing business					
BC Place	96%	95%	95%	95%	70%

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[8] Several major events will be displaced in Fiscal 2009/10 as a result of BC Place being used for the 2010 Winter Olympic and Paralympic Games.

Goal 3 - Maintain and improve the facilities under our management

We will maintain our facilities to the best standard possible in order to attract new clients. We have developed repair plans at each of our facilities, and plan for improvement and expansion of some of our services. Improvement to our properties will make us more competitive with other facilities and should result in an increase in overall occupancy and profitability.

VCEC and BC Place will both be used for high-profile activities during the 2010 Winter Olympic and Paralympic Games. A partial retrofit of the existing VCEC is anticipated after the Expansion has been opened, and options for refurbishing BC Place are being developed to bring the facility to acceptable standards for clients and guests.

Key Strategy

- implement repair and maintenance plans to improve the facilities under our management

Performance Measure and Targets

Gross margin on events: Ongoing repairs and maintenance to our equipment and facilities at BC Place ensure clients hold their events with us, and assist us in maximizing margins on those events.

	Actual	Forecast		Targets	
	05/06	06/07	07/08	08/09	09/10
Performance Measure – compare the gross margin received on events					
BC Place	34%	35%	34%	34%	36%

Percentage Occupancy at the Bridge Studios – The film business is highly competitive. In tight economic times, service quality and ease of conducting business for producers will influence their decision to choose a particular studio for their movie shoot. We will improve our service levels and give producers a choice of value added products in order for them to conduct their businesses in the most profitable manner.

	Actual	Forecast		Targets	
	05/06	06/07	07/08	08/09	09/10
Performance Measure – Percentage occupancy at Bridge Studios					
Bridge Studios [9]	95%	95%	-	-	-

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[9] Sale of the Bridge Studios will complete at the beginning of Fiscal 2007/08. No targets have therefore been set for that year.

Goal 4 – Increase innovation, learning, growth and development in our workforce

We strive to keep our employee skills at optimum levels so that they can participate in our operations in a professional and meaningful way. The new skills that they acquire through their learning activities will maintain PavCo as a leading organization for innovation and creativity in its industry sector. We will monitor training activity, and measure the rate of staff retention.

We will seek to attract and retain well-qualified employees to achieve our corporate-wide goals. We will implement a performance-contingent compensation system that will reward staff for accomplishing the goals that we negotiate with them as part of our strategic planning cycle.

Key Strategies

- continue to support staff development in required skill areas, build capacity and motivation to achieve our strategic goals; and
- implement a performance-contingent compensation system.

Performance Measure and Targets

Employee involvement – At BC Place, many of our staff hold technical qualifications. In the tightening employment market, there is high demand for trades staff, and it is becoming increasingly difficult to attract them to our facilities. Through continuous improvement programs we will strive to retain a high proportion of our employees on a long-term basis. Due to the cyclical nature of our events, it is also a challenge to retain our part-time employees, and the ongoing hiring process is costly.

		Actual	Forecast		Targets	
		05/06	06/07	07/08	08/09	09/10
Performance Measure - employee involvement						
BCPS	Employee involvement (retention)	82%	90%	89%	90%	92%

5 ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN

PavCo's three-year Service Plan is prepared with reference to, and guidance from, the Government's Five Great Goals as outlined in the February 2005 Throne Speech. PavCo's business aligns with a number of these goals, including:

- Create more jobs per capita than anywhere else in Canada;
- Lead the world in sustainable environmental management; and
- Make BC the best educated, most literate jurisdiction on the continent.

Major international conventions and exhibitions hosted at the VCEC advance research, technology and professional development, thereby promoting both education and literacy in British Columbia. The VCEC expansion is a model of sustainable design and construction, as are VCEC's environmental practices. Together these serve as evidence of British Columbia's environmental commitment. Finally, business attracted to PavCo's facilities stimulates the provincial economy and creates many jobs in the hospitality and service industry.

2008 marks the 150th anniversary of the establishment of British Columbia as a Crown colony. The Ministry of Tourism, Sport and the Arts has the mandate to coordinate cross government activities related to the celebration of this significant event. In addition to honouring the past, BC2008 provides a vehicle to focus on and celebrate the future. PavCo will work with the Ministry of Tourism, Sport and the Arts on the five pillars of the 2008 celebration: Heritage; Communities; Multiculturalism; Aboriginal Peoples; and Arts and Culture.

6 SUMMARY FINANCIAL OUTLOOK

FUNDING

Funding is received from the Ministry of Tourism, Sport and the Arts. It covers the shortfall between operating revenues, facility costs and repairs expenses, and also includes an allowance for facility depreciation.

OPERATING

PavCo's current operating facilities are the VCEC, BC Place and the Bridge Studios. Effective early in Fiscal 2007/08, the sale of the Bridge Studios will complete, so no operating revenues for the Bridge Studios have been included in financial forecasts.

Following the sale of the Bridge Studios, PavCo's funding requirement will increase by the amount of that facility's profitability (estimated at an average of $1.5 to $2 million per annum). Also, as marketing activity and preparation for opening of the Expansion of VCEC continues, the deficit at that facility will raise PavCo's funding requirement.

In Fiscal 2007/08, PavCo's event activity and revenues will return to historical levels, as some of the exceptional events from the past two years have not been budgeted to return. There will be an increase in event activity in Fiscal 2008/09 with the opening of the Expansion of VCEC, and Fiscal 2009/10 revenues will include income from the 2010 Winter Olympic and Paralympic Games. Management will continue to seek infill business for the off-peak seasons, and other revenue generating opportunities in order to minimize funding from the Shareholder.

CAPITAL

PavCo manages assets with carrying values of over $120 million, which are serviced through regular maintenance and renewal programs. Approximately $2 million per annum has been set aside for capital projects. Most capital programmes at the corporate facilities are for repairs to the existing infrastructure. In years when there are extraordinary capital requirements, additional funding requests are submitted to the Shareholder.

Several significant improvement projects have been identified at BC Place to bring the facility to standards expected by its clients and guests. The current booking cycle covers events that will take place up to 2012, so the improvements are for the long-term benefit of the facility. Proposed improvements include security systems, facility access for those with disabilities, seating repairs, hospitality upgrades, scoreboards and general upgrades.

The air-supported roof at BC Place is 24 years old and a comprehensive maintenance plan is in place.

A partial retrofit to VCEC is projected following the opening of the Expansion in late Fiscal 2008/09, to standardize the fit and finish of the combined facility. These improvements will be funded through the Expansion budget.

FINANCIAL FORECAST

Five-Year Financial Comparison for Operations (in $ millions) - PavCo Consolidated

	Fiscal 2005/06 Actual	**Fiscal 2006/07 Forecast**	**Fiscal 2007/08 Budget**	**Fiscal 2008/09 Forecast**	**Fiscal 2009/10 Forecast**
Revenues					
– Sales	28.125	28.467	26.656	29.634	52.281
– Contribution Bridge Studios	1.909	1.533	-	-	-
– Government Contribution [10]	5.857	5.000	5.000	5.000	5.000
Total Revenues	35.891	35.000	31.656	34.634	57.281
Expenses					
– Operating costs [11]	31.693	33.513	33.042	37.624	47.635
– Depreciation	2.590	2.792	3.196	5.235	5.957
Total Expenses	34.283	36.305	36.238	42.859	53.592
Net Income (deficit) after government subsidy	1.608	(1.305)	(4.582)	(8.225)	3.689
FTEs [12]	142	153	149	150	153

Major capital expenditures[13]	(3.696)	(1.884)	(2.027)	(4.453)	(2.522)

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[10] The government contribution is to cover operations shortfalls and renewal of capital assets. Funding is provided through the Ministry of Tourism, Sport and the Arts

[11] Operating costs include major repairs projects at the facilities. Costs in Fiscal 2008/09 are increased due to opening of the VCEC Expansion, and Fiscal 2009/10 includes a full year's costs for the combined facility

[12] Full Time Equivalent Staff will increase due to preparation for and operation of the Expansion of VCEC

[13] Capital expenditures for Fiscal 2005/06 included an Artificial Turf system

Key Assumptions:

- The Bridge Studios sale will complete in Fiscal 2007/08. Following that, the core business units will be VCEC and BC Place.

- PavCo will work with the Shareholder to determine options for funding the forecast deficits to ensure financial stability.

Forecast Risks and Sensitivities:

- Revenue estimates are based on current bookings and expected pick-up business. These estimates could change if there are further world events during the period that impact business travel and tourism. Estimates will be monitored and adapted as conditions change.
- Fluctuations in the value of the Canadian dollar against other currencies could affect the amount of out-of-country business attracted to PavCo's facilities.

7 OPERATING SEGMENT SUMMARY INFORMATION

Vancouver Convention & Exhibition Centre

Five-Year Financial Comparison for Operations (in $ millions) – Vancouver Convention & Exhibition Centre

	Fiscal 2005/06 Actual	Fiscal 2006/07 Forecast	Fiscal 2007/08 Budget[14]	Fiscal 2008/09 Forecast[15]	Fiscal 2009/10 Forecast[16]
Revenues					
– Sales	15.344	16.929	15.412	17.934	31.698
Expenses					
– Operating costs	17.168	19.100	18.239	22.257	25.215
Depreciation	0.507	0.387	0.516	2.330	2.652
Total Expenses	17.675	19.487	18.755	24.587	27.867
Net Income (deficit)	(2.331)	(2.558)	(3.343)	(6.653)	3,831
FTEs [17]	45	55	56	57	60
Capital Projects	(703)	(584)	(867)	(3.303)	(1.362)

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[14] Revenues for fiscal 2007/08 are expected to return to historical levels, following exceptional results from certain events in Fiscal 2006/07

[15] The Expansion of the Vancouver Convention & Exhibition Centre will open in late fiscal 2008/09. Revenues and costs will increase following the opening

[16] The facility will be the Press and Media Centre for the 2010 Winter Olympic and Paralympic Games.

[17] Full Time Equivalent Staff will increase due to preparation for and operation of the Expansion of VCEC

Goals, Strategies and Measures for VCEC

Goal 1 - Maximize revenues and economic growth, and use funding in a manner that provides optimum return to the Shareholder

Strategy - Improve the return to the Shareholder on its investment in PavCo's facilities	
Measures	Compare economic benefits generated
	Operating subsidy (before depreciation)
	Sales activity – non resident delegate days booked for future years

Goal 2 - Maintain and increase client services and satisfaction

Strategy – Maintain a high level of service to support retaining our customers	
Measure	Service Quality survey scores

Goal 3 - Maintain and improve the facilities under our management

Strategy - Create and execute a multi-year business process upgrade for transition through to Expansion

Goal 4 – Increase innovation, learning, growth and development in our workforce

Strategy – Develop and maintain the necessary skills, capacity and motivation to successfully execute our strategic plan

BC Place

Five-Year Financial Comparison for Operations (in $ millions) – BC Place

	Fiscal 2005/06 Actual	Fiscal 2006/07 Forecast	Fiscal 2007/08 Budget	Fiscal 2008/09 Forecast	Fiscal 2009/10 Forecast
Revenues					
– Sales	12.713	11.438	11.040	11.625	20.508
Expenses					
– Operating costs[18]	14.033	14.100	14.163	14.838	21.874
– Depreciation	2.080	2.400	2.675	2.900	3.300
Total Expenses	16.113	16.500	16.838	17.738	25.174
Net Income (deficit)	(3.400)	(5.062)	(5.798)	(6.113)	(4.666)
FTEs	89	89	89	89	89
Capital Projects	(2.840)	(1.150)	(1.150)	(1.150)	(1.150)

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[18] Revenues and operating expenses will increase in Fiscal 2009/10 as a result of increased event activity. BC Place will host ceremonies for the 2010 Winter Olympic and Paralympic Games

Goals, Strategies and Measures for BC Place

Goal 1 - Maximize revenues and economic growth, and use funding in a manner that provides optimum return to the Shareholder

Strategy - Improve the return to the Shareholder on its investment in PavCo's facilities	
Measures	Compare economic benefits generated
	Operating subsidy (before depreciation)
	Facility attendance

Goal 2 - Maintain and increase client services and satisfaction

Strategy - Maintain a high level of service to support retaining our customers	
Measure	Service Quality survey scores
	Percentage retention of existing business

Goal 3 - Maintain and improve the facilities under our management

Strategy - Maximize opportunities for profitability	
Measure	Compare the gross margin received on events

Goal 4 – Increase innovation, learning, growth and development in our workforce

Strategy - Continue to support staff development and implement a performance-contingent compensation system	
Measure	Employee retention

Bridge Studios (sale to complete in Fiscal 2007/08)

Five-Year Financial Comparison for Operations (in $ millions) – The Bridge Studios

	Fiscal 2005/06 Actual	Fiscal 2006/07 Forecast	Fiscal 2007/08 Budget	Fiscal 2008/09 Forecast	Fiscal 2009/10 Forecast
Revenues					
Sales	4,503	4.300	0	0	0
Expenses					
– Operating costs	2.017	2.187	0	0	0
– Depreciation	0.577	0.580	0	0	0
Total Expenses	2.594	2.767	0	0	0
Net Operating Income (deficit)	1.909	1.533	0	0	0
FTEs	4	5	0	0	0
Capital Projects	(136)	(150)	0	0	0

Goals, Strategies and Measures for the Bridge Studios for Fiscal 2006/07

Goal 1 - Maximize revenues and economic growth, and use funding in a manner that provides optimum return to the Shareholder

Strategy - Improve the return to the Shareholder on its investment in PavCo's facilities	
Measures	Compare economic benefits generated
	Revenue generation

Goal 2 - Maintain and increase client services and satisfaction

Strategy - Position our facility as the preferred venue for client target markets

Goal 3 - Maintain and improve the facilities under our management

Strategy - Increase and improve facility occupancy	
Measure	Percentage occupancy

Goal 4 – Increase innovation, learning, growth and development in our workforce

Strategy - Develop and maintain the necessary skills, capacity and motivation to successfully execute our strategic plan

Corporate Office

Five-Year Financial Comparison (in $ millions) – Corporate Office

	Fiscal 2005/06 Actual	Fiscal 2006/07 Forecast	Fiscal 2007/08 Budget	Fiscal 2008/09 Forecast	Fiscal 2009/10 Forecast
Revenues	0.068	0.100	0.075	0.075	0.075
Expenses					
– Operating costs[19]	0.492	0.313	0.511	0.529	0.546
– Depreciation	0.003	0.005	0.005	0.005	0.005
Total Expenses	0.495	0.318	0.516	0.534	0.551
Net Income (deficit)	(0.427)	(0.218)	(0.441)	(0.459)	(0.476)
FTEs	4	4	5	5	5
Capital Projects	(17)	0	(10)	0	(10)

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[19] Fiscal 2007/08 and future year net operating costs and deficit will increase as a result of lower expense recoveries following the sale of the Bridge Studios.

8 HOW TO REACH US

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6

BRITISH
COLUMBIA
The Best Place on Earth

BRITISH COLUMBIA RAILWAY COMPANY

ANNUAL SERVICE PLAN

2007 - 2009

January 25, 2007

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Letter from Board Chair to Minister Responsible

The Honourable Kevin Falcon
Minister of Transportation

Dear Minister,

On behalf of the Board of Directors of British Columbia Railway Company ("BCRC"), I am pleased to provide our Annual Service Plan for 2007 - 2009.

The 2007 - 2009 Service Plan continues the strategic direction described in BCRC's previous Service Plan, with the exception that the process to seek an independent third-party operator for Vancouver Wharves has been accelerated by approximately one year as a result of further evaluation by the Shareholder and the Board.

BCRC's primary mandate is the management of its long-term lease of the former BC Rail corridor lands and track infrastructure to CN Rail. As well, in accordance with the direction established by the Shareholder through the Core Services Review process, BCRC continues to dispose of most remaining residual assets and entities, winding up most corporate activities except those related to rail or port operations.

BCRC's subsidiary, BCR Properties Ltd., continues its mandated disposition of all non-railway property holdings and should be substantially complete by the end of 2007. BCR Properties will retain ownership of key lands which support port terminal operations. BCRC will continue to retain ownership of all railway lands and track infrastructure, as well as BCR Port Subdivision Ltd. which manages the 24-mile railway line accessing the port terminals at Roberts Bank. Retention of these port and railway land holdings supports the government's British Columbia Ports Strategy and Pacific Gateway Strategy.

This Service Plan establishes a framework guiding (1) accountability as owner of railway and port-related land holdings and assets, and (2) the disposition of all other remaining assets and entities.

The British Columbia Railway Company Service Plan for 2007 to 2009 was prepared under the direction of the Board of Directors in accordance with the *Budget Transparency and Accountability Act*. The Plan is consistent with the government's strategic priorities and overall strategic plan. All significant assumptions, policy decisions and identifiable risks as of January 25, 2007, have been considered in preparing the Plan. I am accountable for ensuring BCRC achieves the goals identified in the plan and for measuring and reporting performance.

John McLernon, Chair
British Columbia Railway Company

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1.0 ORGANIZATIONAL OVERVIEW

Enabling Legislation

British Columbia Railway Company ("BCRC") is a commercial Crown corporation with 100% of its shares owned by the Province of British Columbia. The corporation is governed by two principal pieces of legislation. The *British Columbia Railway Act* establishes the corporation's structure, governance, responsibilities and accountabilities. The *British Columbia Railway Finance Act* establishes the borrowing and investment framework for BCRC. BCRC must also meet the requirements common to other crown corporations under the *Financial Administration Act* and the *Budget Transparency and Accountability Act*.

Mandate

BCRC continues to own the former BC Rail right-of-way and railway track infrastructure to protect the long-term strategic value of the railway corridor, and leases those assets to Canadian National Railway Company ("CN Rail") through the *Revitalization Agreement* for the purposes of operating a freight railway.

Consistent with the government's Ports Strategy and Pacific Gateway Strategy, BCRC has retained ownership of the Port Subdivision operation, which provides open, neutral rail access to the port terminals at Roberts Bank. BCRC, through its subsidiary BCR Properties Ltd., has also decided to retain ownership of port-related lands, including those upon which the Vancouver Wharves and Squamish Terminals port facilities operate.

The Province has determined that all other residual assets and entities are not required to be publicly owned, and the mandate for BCRC is to wind down or dispose of these in a manner that maximizes a commercial return to the Province.

In its long-term role as landlord, BCRC will have an ongoing accountability to oversee the *Revitalization Agreement* with CN Rail as well as a new operating arrangement yet to be negotiated with a third party for the operation of Vancouver Wharves' terminal facilities.

Core Business Areas and Services

BCRC is a commercial Crown corporation with business activities operating in competition with the private sector. BCRC operates without government subsidies. Borrowing is done through the Ministry of Finance and financial reporting is in accordance with provisions of the *Budget Transparency and Accountability Act*.

BCRC is principally a holding company with its commercial and business activities conducted through several operating subsidiaries, spanning the business areas of real estate, railway management and marine terminal operations. For further details on each of the operating subsidiaries, see Section 8 of this Service Plan.

Location of Operations and Contact Information

The corporate offices for BCRC and its subsidiaries are located at:

Suite 600 - 221 West Esplanade
North Vancouver, BC
V7M 3J3

BCR Port Subdivision Ltd. has an operations facility located near Roberts Bank at 3885 Deltaport Way, but all business and administrative functions are managed through the BCRC corporate office in North Vancouver.

Vancouver Wharves Limited Partnership, whose operations are currently in the process of being transitioned to a third party operator, conducts all of its business and administrative functions from its own offices at 1995 West First Street in North Vancouver.

Any correspondence or enquiries should be directed to the above BCRC corporate address, to the attention of the Corporate Secretary.

Further information on the company, its Board of Directors and principal policies on corporate governance may be found through the following website:

http://www.bcrco.com/

2.0 CORPORATE GOVERNANCE

Sound governance principles are essential to the success of every commercial enterprise. BCRC is committed to ensuring corporate governance principles guide the organization's continued success. BCRC's governance practices are in accordance with the best practices outlined in the *Governance and Disclosure Guidelines for Governing Boards of British Columbia Public Sector Organizations* ("Best Practices Guidelines") published by the Province's Board Resourcing and Development Office.

A "Code of Conduct" for all BCRC employees, officers, agents and directors was introduced in 1995 which, amended as required, remains in effect. The Code reflects and emphasizes the organization's values of integrity, fiscal responsibility, accountability, safety and respect. The Board of Directors adopted "Standards of Ethical Conduct for Directors and Officers" which, amended as required, also remains in effect. The Standards recognize the additional responsibilities and duties that directors and officers have to BCRC. The implementation of the Standards of Ethical Conduct for Directors and Officers includes the appointment by the Board of Directors of an Ethics Advisor to provide advice to directors and officers on the application and interpretation of the standards.

In accordance with present guidelines for corporate governance, all members of the Board are independent and unrelated, and have no other affiliations with BCRC beyond their role as directors. Each Board meeting begins with a declaration and review of any potential conflicts directors may have. The roles of the Chair and the CEO are separate and distinct, with no overlap of responsibilities.

BCRC continues to review its governance practices to ensure that they are consistent with the Code and Best Practice Guidelines for the sound direction and management of BCRC. The Board of Directors carries out its duties with the primary objective of enhancing shareholder value in accordance with the Shareholder's Letter of Expectations, a document jointly executed by the Minister and BCRC's Board Chair. The Board has the authority and duty to supervise management of BCRC's business affairs. Management reviews and revises the objectives for BCRC with the Board, which considers and approves those objectives and monitors progress toward their achievement.

The service plan and revised forecast are reviewed and approved by the Board prior to the start of BCRC's fiscal year (January 1 - December 31). After review and comment by the Minister, the Board-approved service plan is finalized in January. The approval of the service plan and budget establishes the authority of senior management to take the actions indicated in the service plan and their responsibility for implementation. Other material matters not reflected in the budget, including raising capital, acquisitions and divestitures require approval of the Board. Through reports distributed to the Board, and at quarterly directors' meetings, management reviews with the Board the progress of business units in meeting the service plan and budgets.

Management has primary responsibility for establishing objectives for BCRC, which are designed to exploit all opportunities available and to diminish the risks to which its business is subject so as to enhance returns to the Shareholder. Management regularly reviews the objectives to ensure that they are in keeping with the state of the business environment within which BCRC operates.

Board of Directors

Under the *British Columbia Railway Act*, the Province may appoint up to nine directors to the Board of BCRC. BCRC presently operates with a seven member Board.

The Board of Directors, through the Chair, reports to the Minister of Transportation (designated through Cabinet as the Minister Responsible for BCRC) and is responsible for overseeing the conduct of business, directing management and ensuring that all major issues affecting BCRC's affairs are given appropriate consideration.

As at January 1, 2007, the Board of Directors is comprised of the following appointees:

John R. McLernon, Chair
Bev A. Briscoe
Brian G. Kenning
Len S. Marchand
Gerald P. Offet
Robert L. Phillips
Jim R. Yeates

The directors of BCRC subsidiaries are appointed by the BCRC Board of Directors.

Committees of the Board

The Board functions through a set of committees appointed to deal with specific matters. There are currently three standing committees of the Board:

- Audit, Finance and Risk Management Committee

  Members: Brian G. Kenning (Chair), Bev A. Briscoe

  This committee assists the Board of Directors in fulfilling its obligations and oversight responsibilities relating to the audit process, financial reporting, the system of corporate controls, governance of financial investments and various aspects of risk management.

- Environment and Safety Committee

  Members: Robert L. Phillips (Chair), Gerald P. Offet, Jim R. Yeates

  This committee assists the Board of Directors in fulfilling its obligations and oversight responsibilities relating to adherence to environmental laws and regulations and the safety of employees and the general public who may be impacted by BCRC's activities.

- Human Resources, Governance and Nominating Committee

  Members: Len S. Marchand (Chair), John R. McLernon

  This committee assists the Board of Directors by fulfilling obligations relating to senior management human resource and compensation issues, ensuring that appropriate corporate governance policies and procedures are put in place, and ensuring that the membership of the Board is relevant to the obligations of BCRC.

Ad hoc, special purpose committees may be appointed by the Board as required. Presently, the Board has established the following two ad hoc committees:

- Real Estate Sales Advisory Committee

  Members: Brian G. Kenning (Chair), John R. McLernon

  This committee assists the Board of Directors by reviewing the disposition processes and evaluating bids for property dispositions with values exceeding BCRC management's limits of financial authority and requiring approval by the Board of Directors.

- Vancouver Wharves Disposition Committee

  Members: Bev A. Briscoe (Chair), Robert L. Phillips, Jim R. Yeates

  This committee assists the Board of Directors by reviewing the disposition process, the selection of advisors, ensuring due diligence is undertaken, evaluating bids received for a potential new operator for Vancouver Wharves, and preparing recommendations to the Board of Directors.

Officers

BCRC's officers are:

Kevin Mahoney, President and Chief Executive Officer
Michael Kaye, Vice President Finance and Chief Financial Officer
John Lusney, President, BCR Properties Ltd.
Gordon Westlake, Vice President Operations & Corporate Affairs
Shelley Westerhout Hardman, Corporate Secretary

The officers of active BCRC subsidiaries are appointed by each subsidiary's Board of Directors and are typically comprised of two or three BCRC officers.

3.0 ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN

BCRC's annual Service Plan supports the Province of British Columbia Strategic Plan 2006/07 - 2008/09, and its Five Great Goals.

Most specifically, this Service Plan supports the Province's Goal 5: "Create more jobs per capita than anywhere else in Canada" and the following stated "Initiatives Underway" and "Priority Actions":

- Implementing an Asia-Pacific strategy to capitalize on expanding Asian markets;
- Developing a Gateway Program to help create a comprehensive, effective transportation network that supports improved movement of people and goods - facilitating economic growth, increased transportation choices, and better connections to designated population growth areas;
- Ensuring that impediments to economic development (e.g. transportation limitations, labour shortages) are addressed.

The strategic direction for BCRC, as established by the Shareholder's Letter of Expectations, incorporates the above priority initiatives and actions.

In particular, BCRC is a key stakeholder and participant in the development and implementation of the Pacific Gateway Strategy in support of the Asia-Pacific trade expansion. Through its Port Subdivision, which acts as the vital rail link to the Roberts Bank port terminals, BCRC is directly involved in the planning and design of railway capacity expansion and related infrastructure requirements to support traffic growth through the Deltaport container terminal. BCRC's ownership and management of the Port Subdivision also protects neutral and competitive rail access to these port terminals. BCRC also provides its railway operating expertise to other government ministries and agencies in addressing Gateway initiatives or issues that may involve other railway operations on an "as requested" basis.

This service plan also supports the British Columbia Ports Strategy. BCRC will retain ownership of its waterfront lands at Vancouver Wharves in North Vancouver and at Squamish Terminals in Squamish to ensure that these lands are preserved for port use activities. BCRC also acts as an advisor to government in supporting other port-related transportation initiatives.

4.0 STRATEGIC CONTEXT

Mission

Effective management of the Revitalization Agreement between BCRC and CN Rail, holding railway corridor and port lands for the Province, and ensuring the efficient disposition and wind-down of all other remaining businesses and assets.

Values

Integrity

- Decisions made in a manner that is consistent, professional and fair

Fiscal Responsibility

- Maximize returns from the disposition of businesses, assets and real estate not required to support railway or port operations

Accountability

- Ensure full reporting of activities to the Shareholder

Safety

- Ensure a safe and healthy work environment

Respect

- Treat everyone in an honest, fair and respectful manner

Planning Context and Key Strategic Issues

BCRC continues to own the former BC Rail corridor lands and track infrastructure on which CN Rail has responsibility for freight railway operations. BCRC's mandate also includes the disposition of assets and eventual wind-up of corporate activities, with the exception of those relating to railway or port assets.

BCRC has a relatively small staff dealing with a diverse range of highly complex issues. The *Revitalization Agreement* with CN Rail is complex and will continue to demand ongoing management attention, particularly related to monitoring compliance with terms of the Agreement.

Some of BCRC's intended dispositions have been reconsidered in the context of the government's British Columbia Ports Strategy and Pacific Gateway Strategy. This has resulted in decisions to retain both the Port Subdivision as well as port-related land holdings. As a result, BCRC's mandate was revised in early 2006, requiring it to continue with managing these assets.

This modified mandate has created challenges for the organization as it had been established for short-term, diminishing levels of business activity. This has resulted in a requirement for BCRC to reconsider staff resources and to develop a long-term human resource plan. Management, together with the Board of Directors, is now working on an amended management structure, including potential recruitment of new and additional resources to support the revised mandate going forward.

In order for BCRC to fully deliver the Shareholder's expectations in an effective and efficient manner, cooperation from other levels of government, agencies and stakeholders is necessary. Many of the processes and approvals required to complete the dispositions of non-rail real estate are beyond the control of BCRC. In addition, for some of the real estate dispositions, management must resolve outstanding issues such as environmental remediation, subdivision approvals, etc. Due to the significant boom in economic activity throughout the Province, access to professional services such as consultants, land surveys and real estate appraisals is constrained by an increased demand throughout British Columbia.

BCRC will continue to be responsible for all capital investment in the Port Subdivision railway line. Expansion plans for the addition of a third berth at Deltaport involve amounts of capital within the capacity of BCRC's projected cash flow in 2008/2009. However, longer-term future expansions contemplated at Roberts Bank will trigger the need for substantial new capital investments, which will place considerable demands on BCRC's financial resources. Furthermore, capital invested in the Port Subdivision is not able to earn a commercial return on invested capital and this will present a hurdle if it is necessary to debt finance these investments.

While BCRC's role in commercial activity diminishes, its specific role in the BC Ports Strategy and Pacific Gateway Strategy continues to evolve. BCRC is confident that it can perform a valuable role and contribute to government's objectives in planning and implementing important transportation infrastructure projects to support increased Asia-Pacific trade.

5.0 GOALS, STRATEGIES, PERFORMANCE MEASURES AND TARGETS

The removal of direct operating responsibility for freight railway operations through the 2004 transaction with CN Rail fundamentally changed BCRC's mandate, structure and operating environment. As a result, BCRC has been working through a transition period and its mandate has continued to evolve over the two years since completion of the CN Rail transaction. Previous versions of BCRC's service plan were oriented to accomplishing a complete wind-down of corporate activities within the service plan time span.

However, with recent changes to BCRC's mandate, the corporation is once again transitioning to become a continuing operation. With the new role and mandate of BCRC emerging as a supporting resource to the government's British Columbia Ports Strategy and Pacific Gateway Strategy, it is premature to define specific goals and strategies in those areas. As a result, the Goals set out below are primarily focused on the company's existing business functions.

The primary change since the 2006 Service Plan is that BCRC is no longer under wind up guidelines, which drove the targets in the previous plan. New measures and targets have been defined in this Service Plan, which focus on critical aspects of performance for the ongoing management of the Port Subdivision rail operations and the CN Rail Revitalization Agreement. In addition, revised targets have been established for the disposition of the non freight railway and port terminal real estate holdings. The changes from the previous Service Plan are due to timing differences and total proceeds are targeted higher due to improved market conditions.

Goal 1: Provide safe, reliable, efficient and open access freight train operations on the Port Subdivision.

Strategies:

- Conduct dispatching, train control and yard management in a manner that provides fair and equal access to Roberts Bank port terminals.
- Maintain railway track and infrastructure in compliance with standards acceptable to the BC Safety Authority and Transport Canada.
- Participate in joint planning and development initiatives related to the Pacific Gateway Strategy and BC Ports Strategy.
- Maintain cooperative relationships with port terminal operators and neighbouring municipalities of Delta and Surrey.

Performance Measures	Actual	Actual	Targets		
	2005	2006	2007	2008	2009
Number of derailments caused solely by track condition.	0	0	0	0	0

Goal 2: Effective and efficient management of the Revitalization Agreement between BCRC and CN Rail.

Strategies:

- Manage a positive landlord-tenant relationship between BCRC and CN Rail.
- Monitoring of CN Rail compliance with terms of the Revitalization Agreement.
- Proactive management of disputes, if any, as they may arise.
- Protect the strategic interests of BCRC and the Province whenever terms of the Revitalization Agreement require enforcement or interpretation.

Performance Measures	Actual	Actual	Targets		
	2005	2006	2007	2008	2009
Report on status of the CN Rail Revitalization Agreement.	Report quarterly to the Board and Minister.	Report quarterly to the Board and Minister.	Report quarterly to the Board and Minister.	Report quarterly to the Board and Minister.	Report quarterly to the Board and Minister.
Monitor CN Rail's environmental stewardship of freight railway lands under lease.	Inspect one third of railway network.	Inspect one third of railway network.	Inspect one third of railway network.	Inspect one third of railway network.	Inspect one third of railway network.
Briefing Minister on public issues involving CN Rail operations under Revitalization Agreement.	Respond within 48 hours of event or request.	Respond within 48 hours of event or request.	Respond within 48 hours of event or request.	Respond within 48 hours of event or request.	Respond within 48 hours of event or request.

Goal 3: Dispose of all real estate holdings and other assets not required for freight railway corridors or port terminal operations.

Strategies:

- Maximize financial results by achieving full market value for dispositions.
- Obtain independent professional appraisals for basis of property disposition values.
- Complete subdivision of larger land holdings where total net proceeds of disposition can be increased.
- Obtain market rates on leases, encroachments, easements, etc. on retained lands.

Performance Measures	Actual	Forecast	Targets		
	2005	2006	2007	2008	2009
Number of property title transfers completed.	44	67	95	0	0
Gain on disposal of assets ($ millions)	$ 9.9	$ 64.2	$ 75.4	$ 0	$ 0

Performance Management Systems

Results achieved against the above Performance Measures are principally derived from BCRC's internal management and reporting systems. Certain results may be verified by auditors or at the request of the Board of Directors or Board Committees charged with responsibility for the specific sectors measured.

Results can be regarded as accurate and reliable, as the performance measures have been intentionally selected for areas where management has confidence in the ability to accurately monitor and measure without the need for estimates or pro-rating of data.

Many of the performance results may also be verified externally by the promised deliverables (i.e. quarterly reporting to the Minister). Results may also be independently verified by external regulatory agencies (i.e. any train derailments are investigated by the BC Safety Authority and/or Transport Canada).

6.0 SUMMARY FINANCIAL OUTLOOK

The financial results and outlook below are for BCRC on a consolidated basis.

($ millions)	2005 Actual	2006 Estimate	2007 Budget	2008 Forecast	2009 Forecast
Total Revenue	68.9	64.3	20.8	15.7	15.7
Operating Expenses	56.6	60.7	16.0	10.1	10.1
Amortization	12.8	8.2	8.2	8.6	9.0
Asset Impairment Write-down	40.7	0	0	0	0
Total Expenses	110.1	68.9	24.2	18.7	19.1
Operating Income (Loss)	**(41.2)**	**(4.6)**	**(3.4)**	**(3.0)**	**(3.4)**
Financing Income	1.5	7.0	7.1	7.9	8.2
Gain on Disposal of Assets	9.9	64.2	75.4	0	0
Reduction in Gain on CN Rail Transaction	(5.6)	0	0	0	0
Net Income	**(35.4)**	**66.6**	**79.1**	**4.9**	**4.8**
Capital Expenditures	13.9	18.6	65.6	19.0	2.0
Retained Earnings	(467.5)	(400.9)	(323.0)	(318.1)	(313.3)
Debt	0	0	0	0	0
FTE's	35	31	29	21	21

Notes on Revenues and Expenses

The 2006 Estimate is based on un-audited financial results to the end of December, and current forecasts. As such, the 2006 results are subject to change pending completion of the year-end external audit and approval by BCRC's Board of Directors in March 2007.

The 2007 budget assumes that the Vancouver Wharves operation will be transferred to a third-party operator effective December 31, 2006. The reduction in the 2007 operating revenues and operating expenses therefore reflects elimination of Vancouver Wharves' operating results beginning in 2007. As a result of the extension of the Vancouver Wharves process, it is likely the transaction will close in the first quarter of 2007. This transaction could result in a material change to this Outlook.

Amortization expense in the budget and forecast includes $6.1 million for those assets leased to CN Rail that have been treated as an operating lease. Financing income arises from the investment of excess cash being retained for corporate and operating purposes.

The gain on sale of assets in 2005, 2006 and 2007 is related entirely to property sales. It has been assumed that the Vancouver Wharves transaction will be at its carrying value, resulting in no gain.

Key Assumptions

The budget assumes that the new operating arrangement for Vancouver Wharves will take effect on December 31, 2006, and conservatively assumes for a gain/loss of nil.

BCRC will continue to own BCR Port Subdivision into the future and will fund all capital requirements for additional rail capacity and related infrastructure to support forecast port terminal expansions at Roberts Bank. Port Subdivision will be able to recover all of its operating expenses as well as Privilege Charges (a form of asset "rent") on the entire Joint Capital Account from the three user railways.

BCR Captive Insurance Co. Ltd. is no longer providing insurance to BCRC and its subsidiaries as of December 31, 2006. Outstanding claims and litigation will continue to be wound up over the following years. Effective in 2007, all insurance will be procured from independent third party insurers.

BCR Properties Ltd. will continue its mandate to dispose of all non-railway and non-port property holdings by the end of 2007. Proceeds on disposal have been estimated based on management's best estimates of the fair market value of the properties.

The land on which Vancouver Wharves and Squamish Terminals operate will continue to be owned by BCR Properties Ltd. The current property leases paid by the two terminals to BCR Properties are assumed to continue through the forecast period.

With its new mandate as a continuing Crown corporation, it has been assumed that BCRC will continue to have a full administration office.

The forecast assumes that no dividends will be paid to the Province.

Forecast Risks and Sensitivities

Proceeds from the Vancouver Wharves operating arrangement or from the disposition of surplus real estate holdings could be greater or less than what has been estimated in the budget and forecast, subject to prevailing market conditions. The timing of these transactions could also vary from the timing assumed in the budget and forecast.

Costs accrued for environmental remediation are based on preliminary investigations of site contamination and assume remediation to standards currently in effect. Costs could increase as the extent of contamination is verified or as future remediation standards and construction costs may be higher.

The amount and timing of capital expenditures on the Port Subdivision may be adjusted as the construction schedule of the third berth expansion project at Deltaport is confirmed, and associated engineering design and cost estimates are completed.

7.0 CAPITAL PLAN and MAJOR CAPITAL PROJECTS

There are no plans for BCRC or any of its subsidiaries to undertake any major capital projects or commitments in excess of $50 million within the period of this Service Plan. Other than relatively minor sustaining capital, the only other capital requirement would be driven by the need to meet expansion obligations at Deltaport.

8.0 SUBSIDIARY SUMMARY INFORMATION

BCRC is principally a holding company with its commercial and business activities conducted through the following operating subsidiaries:

BCR Properties Ltd.

This subsidiary owns and manages all of the real estate *not* required to support railway operations. Its portfolio consists of hundreds of parcels of commercial, industrial and vacant land, mainly distributed along the former BC Rail corridor. The mandate for this subsidiary is to dispose of all such land holdings in a manner that realizes full market value. This is reflected in the Gain on Disposal of Assets forecasted in the financial summary in Section 6.0.

The exception to the disposal mandate is the land leased to the port terminal facilities at Vancouver Wharves and Squamish Terminals. BCR Properties will continue to own these lands and lease them to the terminal operators for continued marine terminal use.

BCR Port Subdivision Ltd.

This subsidiary operates the 24-mile railway line between Cloverdale and Roberts Bank, providing the critical rail connection for three major railways (Canadian Pacific Railway, Canadian National Railway and BNSF Railway Company) to the port terminals at Roberts Bank. BCR Port Subdivision does not operate any trains over this line, but manages the train operations of the three user railways and is responsible for maintenance of the track and associated infrastructure. Costs are recovered from the user railways in proportion to their respective rail car traffic over the line each month.

BCR Captive Insurance Co. Ltd.

Until December 31, 2006, this subsidiary provided primary property, general liability, terminal operator's liability, automobile physical damage and excess automobile coverage to BCRC and its subsidiaries. Commencing in 2007, BCRC will procure its insurance from independent third party insurers. However, BCR Captive will continue as an active subsidiary while it continues to settle outstanding claims and recoveries.

Vancouver Wharves Limited Partnership

Based in North Vancouver, this port terminal facility handles inbound and outbound shipments of mineral concentrates, pulp, sulphur, fertilizers and agri-products. It is planned that this subsidiary will be under a new operating arrangement in 2007 with an independent third party terminal operator who will also lease the underlying lands from BCR Properties.

The Board of Directors for BCR Captive Insurance is comprised of the same directors appointed to the BCRC Board. Directors on boards of the other subsidiaries are comprised of members of BCRC's executive management group, and all are appointed by the BCRC board. Although the subsidiary boards have the authority to direct and approve subsidiary business activities, it has been typical practice for any matters of strategic significance or those matters exceeding the limits of management's financial authority to be brought before the full BCRC Board of Directors for review and approval.

The business activities of the above subsidiaries are mostly in competition with the private sector. As a result, BCRC does not disclose the detailed financial results of its operating subsidiaries as this is regarded as confidential information. BCRC only reports financial results at the consolidated corporate level.

BCRC also holds a number of dormant subsidiary companies, of which 11 have been voluntarily dissolved since 2004. The remaining dormant subsidiaries include:

BCR Finav No. 3 Ltd.

Awaiting resolution of a commercial arbitration matter before dissolution can proceed.

BCR Railcar Leasing Ltd.

Holds 100% of the shares of BCR Finav No. 3 Ltd. and can only be dissolved following dissolution of its subsidiary.

498344 British Columbia Ltd.

Holds title to lands which are part of a joint venture with a private, third party company. Company may be sold or will be dissolved if lands are sold separately.

Vancouver Shipping Agencies Ltd.

A subsidiary of Vancouver Wharves Ltd. which must be retained and will be transferred to the new third party operator of Vancouver Wharves.

It is BCRC's objective to dissolve or otherwise dispose of all dormant subsidiaries at the earliest possible opportunity, subject to resolution of issues requiring continuity of these subsidiaries.

10

BCSC

BRITISH
COLUMBIA
The Best Place on Earth

BC Securities Commission
Service Plan, 2007 – 2010

BC Securities Commission Service Plan

This Service Plan sets out our strategy for the next three years. Copies are available on the BCSC website at www.bcsc.bc.ca (*About the Commission*), or by writing to us at:

Public Inquiries
BC Securities Commission
PO Box 10142, Pacific Centre
701 West Georgia Street
Vancouver BC   V7Y 1L2

Each BCSC division has an operating plan that describes how it will implement the strategies in the Service Plan to address identified risks. Copies of these operating plans are available by phoning or emailing our public inquiries group:

Direct: 604 899-6854
Toll-free: 1-800-373-6393 (BC, AB)
Email: inquiries@bcsc.bc.ca

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Accountability statement - BCSC Chair to Minister

Honourable Wally Oppal
Attorney General and Minister Responsible for Multiculturalism
Parliament Buildings
Victoria, BC V8V 1X4

Dear Minister:

The British Columbia Securities Commission (BCSC) is the independent provincial government agency responsible for administering the *Securities Act*. We protect and promote the public interest by fostering:

- A securities market that is fair and warrants public confidence
- A dynamic and competitive securities industry that provides investment opportunities and access to capital

Our capital markets are highly integrated with other markets, nationally and internationally. Most BC-based public companies have investors in other provinces and must comply with the rules and deal with the regulators in those provinces. Most BC-based securities dealers operate in other provinces or belong to national self-regulatory organizations. It is therefore in British Columbia's interest for Canada to have efficient and effective securities regulation.

We devote significant resources to working with other Canadian securities regulators through the Canadian Securities Administrators organization (CSA) to coordinate regulation and harmonize requirements. We are leading CSA work on an inter-provincial initiative known as the Passport System. All provinces except Ontario support the development of this system. Its goal is to ensure efficient, streamlined, and cost-effective securities regulation that is simple to use for market participants. The participating provinces intend to achieve this by establishing a system that will allow market participants to deal solely with their home regulators, eliminating the need for separate approvals from each jurisdiction.

Our Service Plan for 2007 – 2010 identifies three key strategic risks that undermine investor protection or market integrity. These risks are:

- Risk 1: Unsuitable investments
- Risk 2: Investment fads
- Risk 3: Abusive junior market practices

This plan details our three-year strategy. In addition to strategies to address the three key strategic risks, we describe nine other strategies meant to improve the quality of our regulatory oversight. This includes strategies to build on our investor education program and to identify and respond to illegal sales of securities. Our InvestRight program, launched in October 2006, teaches investors critical thinking skills so they will look at investment opportunities with a healthy skepticism. The program also warns investors about ongoing investment scams through InvestRight Red Alerts. These alerts are designed to prevent, stop, or disrupt potential illegal investment activities.

The plan contains a new set of performance measures for the BCSC. We chose these measures based on an assessment of what outcomes reflect overall Commission performance across each of our four goals.

This plan was prepared under my direction and in accordance with the *Budget Transparency and Accountability Act* and BC Reporting Principles. I am accountable for the contents of the plan, including the selection of performance measures and targets.

The plan is consistent with government's strategic priorities and overall Strategic Plan. We have considered all significant assumptions, policy decisions, and identified risks as of December 1, 2006 in our planning activity.

I am accountable for ensuring the BCSC achieves the objectives identified in the plan and for measuring and reporting actual performance.

Yours truly,

Douglas M. Hyndman
Chair

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Organization overview

BCSC mission

The BCSC is the independent provincial government agency responsible for regulating securities trading in British Columbia through the administration of the *Securities Act*. Our mission is to protect and promote the public interest by fostering:

- A securities market that is fair and warrants public confidence
- A dynamic and competitive securities industry that provides investment opportunities and access to capital

Enabling legislation

The BCSC's enabling legislation is the *Securities Act*, RSBC 1996, c. 418.

We are accountable to the provincial legislature and the public through the Attorney General, to whom we submit our annual report and audited financial statements. We submit our three-year Service Plan to the provincial Treasury Board as required by the *Securities Act* and the *Budget Transparency and Accountability Act*.

Governance structure

The BCSC is governed by a board of 10 commissioners appointed by the provincial government. The commissioners have overall responsibility for administration of the *Securities Act* and perform three functions:

- Serve as the BCSC's board of directors
- Make rules (with the consent of the Minister responsible for the *Securities Act*), and issue guidance, to regulate the securities industry
- Act as an administrative tribunal and make regulatory decisions under the legislation

As members of an administrative tribunal, commissioners form hearing panels to:

- Adjudicate enforcement cases brought forward by staff and, when appropriate, impose regulatory sanctions
- Review regulatory decisions made by BCSC staff, exchanges, or self-regulatory organizations, upon application by BCSC staff or persons affected by the decision

We publish the BCSC Governance Policy and Ethics and Conduct Policy on our website at www.bcsc.bc.ca (*About the Commission*). These policies include information about:

- The terms of reference for the Commission, the Chair, the commissioners, the Audit Committee, and the Human Resources Committee
- Appointment, evaluation, and compensation for commissioners
- Expected standards of conduct for commissioners and staff

Commissioners

We currently have three executive and seven independent commissioners:

- Doug Hyndman, Chair and Chief Executive Officer
- Brent Aitken, Vice Chair
- Robin Ford, Full-time Commissioner
- Neil Alexander
- Marc Foreman
- John Graf
- Ken Hanna
- Robert Milbourne
- David Smith
- Suzanne Wiltshire

Two committees help the commission fulfill its financial and human resources oversight responsibilities.

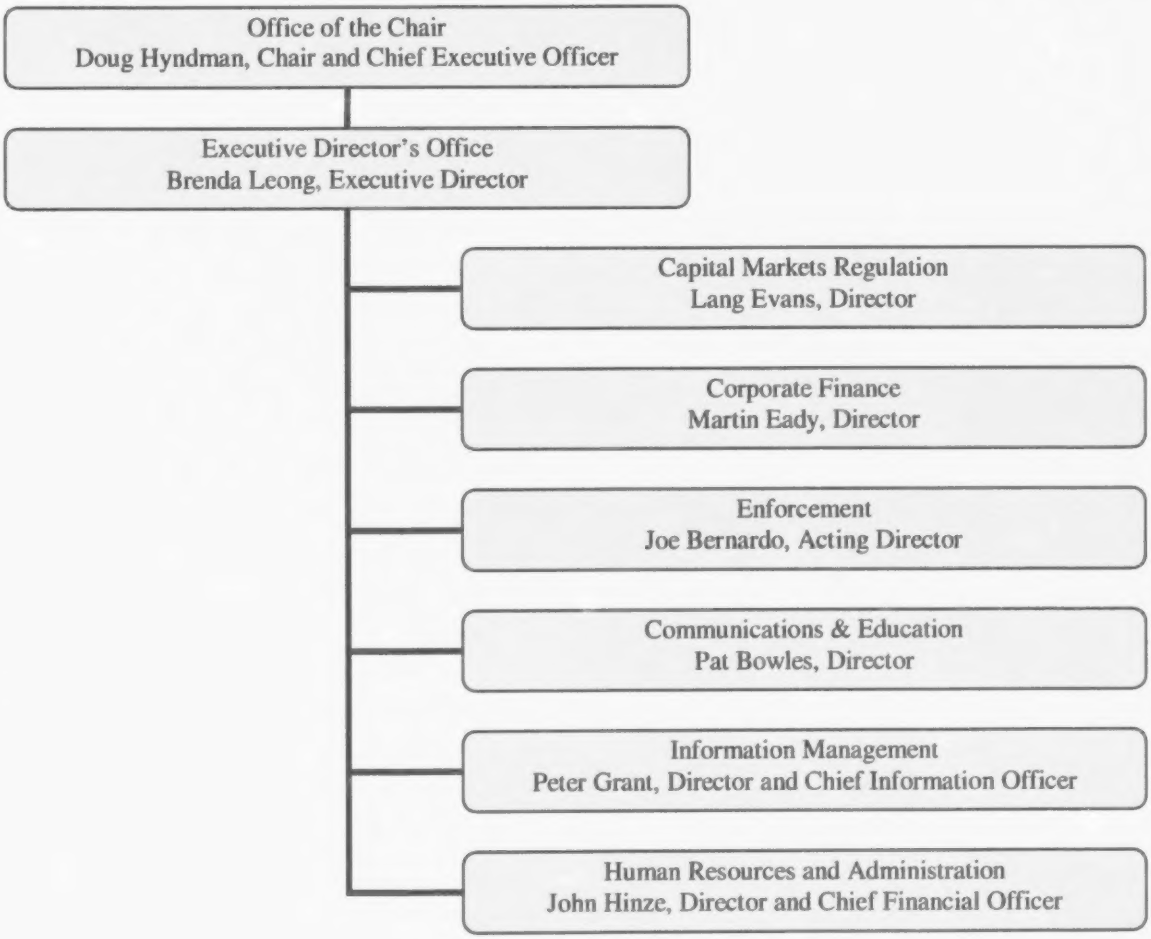
The *Audit Committee* reviews for approval by the commission our public reporting of financial information, monitors our control systems, and oversees both internal and external audit functions. The Audit Committee members are:

- John Graf, Chair
- Marc Foreman
- David Smith
- Suzanne Wiltshire

The *Human Resources Committee* ensures that we follow appropriate procedures for the selection, evaluation, compensation, and succession of commissioners, executives, senior management, and employees. The committee is also responsible for seeing that our human resources and compensation policies and practices support the Service Plan. The Human Resources Committee members are:

- Robert Milbourne, Chair
- Neil Alexander
- Ken Hanna

Executive management team



Office of the Chair
Doug Hyndman, Chair and Chief Executive Officer

Executive Director's Office
Brenda Leong, Executive Director

Capital Markets Regulation
Lang Evans, Director

Corporate Finance
Martin Eady, Director

Enforcement
Joe Bernardo, Acting Director

Communications & Education
Pat Bowles, Director

Information Management
Peter Grant, Director and Chief Information Officer

Human Resources and Administration
John Hinze, Director and Chief Financial Officer

Key stakeholders

Our stakeholders have diverse yet interdependent interests, both provincial and national in scope. We consult them in various ways to understand their needs and interests, and we communicate with them to explain our requirements, expectations, and plans.

- *The public* – which relies on us to foster capital markets that contribute to the economic well being of British Columbia
- *Investors* – both retail and institutional, who seek to invest their savings in fair and efficient securities markets
- *Issuers* – public and private companies that rely on the capital markets to fund growth and diversification
- *Securities firms* – registered to provide investment services to both users and suppliers of capital

- *The provincial government* – to which we are accountable
- *Other Canadian regulators* – with which we develop and implement initiatives through the Canadian Securities Administrators

BCSC core business areas

We organize our work into four core business areas: compliance, enforcement, investor education, and policy-making.

Compliance

We focus our compliance activities on BC-based dealers, dealer branches in BC, BC-based issuers, and other market participants residing in BC.

- The capital markets regulation division oversees securities firms, their employees, and the self-regulatory organizations. Staff in this division monitor registered firms for compliance with the Securities Act, register firms and their salespeople, and review applications for exemptions from regulatory requirements.
- The corporate finance division oversees the companies that raise capital in the public or private securities markets, and also company "insiders". Staff in this division review and receipt securities offering documents, and review applications for exemptions from regulatory requirements. They also monitor public company disclosure (including financial statements), exempt capital raising, and insider reporting.

The CSA shares the responsibility for overseeing three self-regulatory organizations (SROs). Each SRO has a lead CSA regulator that does most of the oversight work, subject to monitoring by the other CSA jurisdictions. The BCSC is the lead regulator for the Mutual Fund Dealers Association. The BCSC and the Alberta Securities Commission also share lead regulatory responsibilities for oversight of the TSX Venture Exchange.

Enforcement

We focus on cases with a strong BC connection. When cases emerge related to SRO members, the SRO typically takes the lead on the enforcement action. When cases with national implications emerge that involve a BC-based market participant, BC usually leads the CSA's enforcement response. Leading enforcement actions involves investigating possible breaches of the *Securities Act*, conducting administrative hearings before commission panels, and representing the BCSC before the courts. We refer cases with a criminal aspect for criminal prosecution.

Investor Education

We run targeted programs for investors to help them protect themselves from fraud and unsuitable investments. We deliver our messages through strategic partnerships to broaden our reach into various communities throughout the province.

Policy-making

We have the power under the *Securities Act* to make rules. We also issue guidance in the form of policy statements and notices to help market participants understand our requirements. We make rules and issue guidance in cooperation with CSA with the goal of harmonization among all jurisdictions.

Market participants can apply for exemptions from our rules. Often the person makes the same application in several jurisdictions. We analyze exemption applications and cooperate with other CSA jurisdictions to reach an appropriate and harmonized decision in all jurisdictions participating in the decision.

BCSC operating capacity

To support our core business areas, we recruit and retain qualified staff, develop and maintain reliable information management systems, and manage our operations cost-effectively.

Human Resources

We strive to attract and retain capable staff by recruiting employees who embody our values, keeping the BCSC compensation structure competitive, improving our regulatory competencies through training, and maintaining a succession plan. Our efforts to maintain a motivating work culture focus on providing opportunities for staff to learn and grow, effective performance feedback, and strong internal communication channels.

Information Management

We develop, manage, and support key national and local systems to advance our regulatory work. Key local systems that improve our communication with the public and industry include e-services, public website, registration search, a defaulting issuers list, and a disciplined persons list.

Gathering relevant information and getting that knowledge to the right staff or stakeholder at the right time is critical to our overall efficiency and effectiveness as a regulator. Information management supports our knowledge culture by conducting custom research, managing records, responding to public inquiries, building custom interfaces to regulatory databases, and running internal workflow systems. We maintain internal project management expertise to guide us through large change projects.

Finance

We manage spending through budget planning, tracking, and reporting, and by keeping cost considerations in high profile throughout the organization. We report our financial performance to stakeholders as required under the *Securities Act* and the *Budget Transparency Act*. Our purchasing systems, payroll systems, and expense and reimbursement procedures all contribute to effective control of our significant financial and physical risks.

Capacity changes for 2007-2008

In the coming year we will expand our staffing by 3.25 FTEs. We have budgeted to increase our corporate finance staff in response to increased demand for prospectus and exemption reviews by BC-based issuer activity. We also will increase our staff in communications and education to reflect our increased emphasis on investor education.

Office location

The BCSC's office is at 701 West Georgia Street. Our public reception is on the 12th floor.

Alignment with Government's Strategic Plan

Our Service Plan aligns with Goal 1 and Goal 5 in the government's Strategic Plan. The other three goals are not relevant to our mission.

Government Goal 1: Make BC the best-educated, most literate jurisdiction on the continent

We support this goal in the following ways.

- We provide BC high school teachers with an award-winning financial literacy program for youth. This Ministry of Education-endorsed resource for the Planning 10 Finances curriculum helps young people acquire the knowledge, skills, and confidence they will need to begin planning for their post-secondary education or career, and to navigate safely through the financial realities of adulthood.
- We support lifelong learning by offering investor education throughout the province, primarily to seniors and pre-retirees. Our InvestRight Red Flag program teaches investors how to protect themselves from becoming a victim of fraud. We extend the reach of this education to all corners of the province through partnerships with the BC Crime Prevention Association, the BC Hydro Power Pioneers, the Mennonite Brethren, and a pair of Fraser Valley pastors known as God's Fraud Squad.

Government Goal 5: Create more jobs per capita than anywhere else in Canada

We support this goal in the following ways:

- By fostering a local market that is fair and warrants investor confidence, we further BC's reputation as a centre for raising capital
- By minimizing the regulatory burden, we encourage investment in BC by supporting a business climate that allows for innovation and growth

Strategic context

BCSC vision

To play a leading role in securities regulation that inspires investor confidence and supports fair, efficient, and innovative Canadian capital markets.

BCSC mission

The BCSC is the independent provincial government agency responsible for regulating securities trading in British Columbia through the administration of the *Securities Act*. Our mission is to protect and promote the public interest by fostering:

- A securities market that is fair and warrants public confidence
- A dynamic and competitive securities industry that provides investment opportunities and access to capital

Values

We embrace five values to help fulfill our mission:

- *Excellence* – we commit to high standards and take pride in our work
- *Service* – we provide efficient, timely, and responsive service
- *Integrity* – we act fairly and ethically
- *Accountability* – we take responsibility for meeting our commitments
- *Resourcefulness* – we are proactive, innovative, and cost effective

The securities regulation landscape

Although our statutory mandate is to regulate BC capital markets, in reality we are part of a system of securities regulation that is national in scope. This significantly affects how we do our work and influences how we think about, and implement, securities policy and practice in BC.

For example, there is a broad consensus among all stakeholders that a system of regulation that is largely, if not completely, harmonized among all jurisdictions in Canada will best serve the interests of both industry and investors. We therefore coordinate our work as much as possible with the other members of the Canadian Securities Administrators, the organization comprising all of Canada's securities regulators. In order to achieve the appropriate level of harmonization throughout the country, all CSA jurisdictions strive to minimize differences of policy and procedure.

We also devote significant resources to support the provincially led Passport System project. All provinces except Ontario support the development of this system. Its goal is to ensure efficient, streamlined, and cost-effective securities regulation that is simple to use for market participants. The participating provinces intend to achieve this by establishing a system that will allow market participants to deal solely with their home regulators, eliminating the need for separate approvals from each jurisdiction.

Under the CSA umbrella and powers provided in the *Securities Act*, we rely on three self-regulatory organizations to perform key regulatory functions related to investment dealer and mutual fund dealer firms, and trading activity on the Canadian equity markets:

- *Investment Dealers Association of Canada* (IDA), which regulates investment dealers.
- *Mutual Fund Dealers Association of Canada* (MFDA), which regulates mutual fund dealers.
- *Market Regulation Services*, which regulates equities trading on Canadian markets, including the Toronto Stock Exchange, the TSX Venture Exchange, the Canadian Trading and Quotation System, and other markets. (Market Regulation Services is in merger discussions with the IDA. If the merger proceeds as the parties intend, it will be complete during the 2007-2008 planning period.)

Securities markets are also global, so we cooperate extensively with regulators in the United States, Hong Kong, Australia, and other countries where Canadians do business to oversee cross-border market activity.

The BCSC's approach to regulation

We regulate in cooperation with other regulators in Canada and, as noted above, harmonization among jurisdictions is important. When we participate in discussions about regulatory policy and practice with other jurisdictions, we base our contributions to those discussions on our approach to regulation.

Regulation inevitably imposes costs through regulatory fees, compliance costs, and restrictions on business activity. Investors ultimately pay these costs, so regulatory interventions should generate the greatest investor protection and market integrity benefits for the least cost. We think that the way to do that is to define problems properly, to choose the right regulatory tools to deal with problems and, when rule-making is a tool we choose, to design rules that address only the defined problem and whose impacts can be measured.

1. Problem definition

Proper problem definition reduces the risk of imposing ineffective, and potentially costly, solutions. It also ensures that regulators allocate resources more efficiently and effectively. Defining a problem properly involves three steps: first, show that a problem warranting regulatory intervention exists; second, define the problem with the precision necessary to fix it; and, third, develop specific and practical criteria to measure the effectiveness of the solution.

Cost-benefit and regulatory impact analyses, as well as consultation, are tools that help evaluate the anticipated costs and benefits of a proposed intervention, and therefore whether it makes sense to intervene. These analyses are also useful in the tool selection process, described next.

2. Tool selection

After defining the problem precisely, the next step is to consider which regulatory tools will result in the most positive change with the least regulatory burden.

We have many tools. We can:

- provide guidance
- educate market participants and investors
- demand corrective action through our compliance function
- take enforcement action
- make new rules

Often the best approach to solving the problem will involve more than one tool.

We think regulators should seek solutions that:

- hold market participants, including their directors and senior managers, accountable for their compliance decisions
- help market participants understand their obligations and our expectations for their conduct
- are timely, taking into account rapidly changing market conditions and the implications for investor protection and market integrity
- encourage market participants to design processes to achieve outcomes that are efficient for them – there is often more than one way to achieve a regulatory outcome
- make cost-effective use of regulatory resources

3. Rule design

Rules are often not the best choice of tool, because they tend to be the most intrusive and most costly alternative. They also take a long time to develop and implement. However, if a rule is necessary, we think it should have these attributes:

- The focus should be on the outcome, which should be clear and measurable. This helps to ensure that the rule achieves the intended result, rather than merely prescribe a process on the assumption that the resulting process will achieve the outcome.
- The scope of the rule should be limited to what is necessary to achieve the desired outcome.
- The rule should be clear and simple.

The rule-making process should include periodic reviews of the relevance and effectiveness of each rule, so that regulators can remove or amend outdated rules to reflect changing circumstances.

Planning context and key strategic issues

Our mission is to protect and promote the public interest by fostering a securities market that is fair and warrants public confidence and by fostering a dynamic and competitive securities industry that provides investment opportunities and access to capital. We have four goals, described in the next chapter, that support our mission.

We apply a disciplined risk management framework to help identify the most serious threats, or risks, to our mission.

This year we will continue to focus on the same risks as last year. These risks relate to:

1. Unsuitable investments
2. Investment fads
3. Abusive junior market practices

Identifying these key strategic risks brings focus to our operating priorities. In the next chapter, we describe mitigation strategies for each risk under the goal to which it is most directly related.

Risk 1: Unsuitable investments

Registered securities firms and their salespersons play a key role in the market as intermediaries and providers of expert advice to investors. We describe our regulatory oversight of firms in Goal 1: *Promote a culture of compliance.*

Firms have a responsibility to develop, implement, and monitor effective systems for compliance with their regulatory obligations. One of the key registrant obligations is to recommend only investments suitable for the client, given the client's investment needs and objectives. When a client proposes an investment that does not appear to be suitable, the registrant must make reasonable efforts to advise the client of this before executing the trade.

We are focusing on this risk in response to statistics indicating that suitability complaints are, year after year, the greatest source of investor complaints received by the IDA and the MFDA.

Having gained a better understanding of the nature of the suitability issues over the past year, we will work with the IDA and MFDA to strengthen suitability-related compliance for retail clients.

We describe our plans for the second year of work in this area under Goal 1: *Promote a culture of compliance* in Strategy 1.1: *Assess the level of compliance with firm and salesperson suitability obligations.*

Risk 2: Investment fads

The securities market is subject to waves of investor interest in a particular security, or type of security. Media coverage, advertising, and word-of-mouth fuel these trends. Salespersons may recommend these securities to clients, or fulfill client demand for them, without properly assessing the suitability of the investment for the client. Some issuers, seeking to capitalize on investor interest in these securities, create new products to meet demand. Investors may expose themselves to sizeable losses if they over-concentrate their portfolios in a single security, or type of security, that they do not understand or that is riskier than they think.

Last year, we developed a program that engaged the expertise of all operating divisions to monitor and evaluate emerging retail trends. We will continue this work under Goal 1: *Promote a culture of compliance* in Strategy 1.2: *Identify and respond to emerging retail investment trends.*

Risk 3: Abusive junior market practices

Vancouver is a major market for venture capital financing. It is important to maintain a good reputation as a leading centre for financing legitimate start-up companies. This reputation is put at risk by a sub-culture of unscrupulous people in BC who seek to profit through abusive activities involving issuers quoted on the US-based over-the-counter markets, principally the Over the Counter Bulletin Board (OTCBB) and the Pink Sheets. Although BC investors are not generally the targets of these schemes, the activities damage the credibility and reputation of BC issuers and markets.

In 2005, we identified over 400 OTCBB issuers with significant connections to BC, or about 10% of all OTCBB quotations. We also receive a significant number of inquiries from the US Securities and Exchange Commission (SEC) relating to OTCBB issuers with a BC connection. In 2005, we formed a dedicated team of compliance and enforcement staff to deal with this risk. We implemented a strategy that we will continue to pursue under Goal 2: *Act decisively against misconduct* in Strategy 2.1: *Disrupt abusive junior market practices in British Columbia.*

Goals, strategies, and performance measurements

This section describes our goals, the strategies that support them, and the performance measurements by which we track our progress in achieving our goals.

Four goals support our mission. They are:

1. Promote a culture of compliance
2. Act decisively against misconduct
3. Educate investors
4. Advance cost-effective regulation

Under the heading 'core focus areas' for each goal, we describe how we will focus our operating activities to achieve the goal and how we plan to support related service commitments.

The strategies described under each goal support our efforts to meet the goal in one of two ways. They are either a direct response to identified market risks related to the goal, or a commitment to improve operational efficiency or effectiveness. This is a three-year plan. Some of the strategies continue from last year's plan; some will continue in future plans. We will complete the work specifically described in each strategy by the end of the fiscal year 2007/2008.

We have developed performance measurements for each goal to help us, and our stakeholders, assess our performance. We select measurements based on the following criteria:

- Connection to our goals. We choose measurements that will assess our progress in achieving our goals and, through them, our mission.
- Longevity. We choose measurements that we will be able to track over several years, and whose trends will provide valuable information for improving our performance.
- Measurability. We choose measurements for which we can collect accurate data and form baselines in a timely way.

Some measurements track the overall progress we are making towards achieving our goals. Others measure routine operational processes critical to the delivery of an efficient and effective regulatory system. More detailed information about our performance management systems is charted in Appendix A.

As an organization, we are in the early stages of creating measurements. In some cases, we are still developing baselines, and in others, we are formulating methodologies. With more time and experience, we expect to create a set of meaningful measurements that will support continuous improvement within our organization and help focus our activities to achieve desired regulatory outcomes.

Goal 1: Promote a culture of compliance

Investors are better protected if securities firms and issuers of securities understand and comply with their regulatory obligations. A compliant culture starts at the top with directors and senior management taking their compliance responsibilities seriously and reinforcing compliance throughout the organization. This is partially achieved by having effective systems and controls in place to ensure compliance. An effective culture of compliance aligns the private interests of market participants with the public interest in a fair, efficient, and reputable securities market. Regulatory intervention should only occasionally be necessary to correct non-compliance. When we perform our compliance function efficiently, compliance costs should decrease for compliant businesses.

Core focus areas

1. *Emphasize firm and management accountability.* We expect strong senior management commitment and will hold senior managers and directors accountable in appropriate cases.
2. *Set clear expectations for market participants.* Our compliance and oversight programs focus less on compliance with prescriptive regulatory requirements and more on the outcomes we expect firms and issuers to achieve. Together with the SROs, we issue guidance, deliver education programs, and communicate with market participants to help market participants understand the regulatory requirements and how we will enforce them. Those who understand the requirements are more likely to comply with them.

Strategies supporting Goal 1

Three strategies support this goal:

- Strategy 1.1: Assess the level of compliance with the firm and salesperson suitability obligations
- Strategy 1.2: Identify and respond to emerging retail investment trends
- Strategy 1.3: Enforce technical mining disclosure standards in prospectus filings

Strategy 1.1: Assess the level of compliance with firm and salesperson suitability obligations

Lead: Capital Markets Regulation

Our work in this strategy will focus on the specific issues covered in Risk 1: *Unsuitable investments.*

Last year we analyzed suitability-related complaints made to SROs and the Ombudsman for Banking Services and Investments (OBSI). We also analyzed complaints reported by IDA members through the COMSET (Complaints and Settlements) database. We found no concentration of problems in any particular industry segment, geographic region, or product type. The overall incidence of complaints was low in proportion to market size and total activity.

We now have a better understanding of how the SROs deal with suitability complaints and about the differences between IDA and MFDA approaches. We are supporting the SROs in their work to improve their processes.

Following our detailed review of complaints filed in 2005, we decided that we needed to develop regulatory tools to detect suitability non-compliance more quickly. Complaints to the SROs are frequently about transactions that occurred several years previously. Further, we believe suitability problems may be under-reported to regulators.

We will work with the SROs to develop additional tools to improve suitability compliance. These will include:

- Direct testing of the quality of advice given to retail customers
  We looked at the Australian Securities and Investment Commission's (ASIC) work on suitability. ASIC anonymously approached salespersons and firms for advice on pension annuity products. The study concluded that advice appeared to be fee-driven in one out of every eight cases. We will explore options for conducting a similar review in Canada.

- Improving the awareness of investor restitution options such as OBSI
  Clients seek restitution for monies lost. In 2005, OBSI recommended some level of restitution to clients in 50% of the securities-related cases. However, many clients learned about OBSI from sources other than their dealers. We will work with the SROs to improve dealer efforts to increase client awareness and understanding of OBSI and what it can do for them.

Strategy 1.2: Identify and respond to emerging retail investment trends

Lead: Information Management

Our work in this strategy addresses issues discussed in Risk 2: *Investment fads.* Our aim is to identify retail investment trends early and to understand potential problems that could put investors at risk. In appropriate circumstances, we will respond to these problems to try to reduce the risk.

Knowing sooner what security types are becoming popular in the retail market will allow us to better manage potential risks to investors by following up on sales practices and taking action so that issuers correct non-compliant disclosure.

- We monitor investment products by reviewing prospectuses, offering memoranda, news stories, trade publications, and other sources of information. We then share what we know internally using a central database. For every identified product, we examine the risks to retail investors, the channels through which it is available, and its scale and growth.
- We assess the information we gather to determine if a product is becoming a trend and, if so, whether there are any significant potential risks to investors that warrant a regulatory response.
- We implement appropriate responses and measurements to address specific problems. Responses may include:
    - Investor education such as information bulletins or investor alerts
    - Compliance actions to improve issuer disclosure or firm due diligence practices
    - Enforcement action

Last year, we monitored and assessed a number of products including units in income trusts, closed-end funds, exchange traded funds, and split share corporations. We issued an investor alert on income trusts to help investors understand the attributes and risks associated with these investments.

In fiscal 2007-2008, we will broaden the use of this new repository of information by commission staff. We will also:

- Continue to identify and assess investment products
- Develop resources for investors to help them understand the "fit" of investment products
- Share our knowledge and experience with the SROs and other commissions

Strategy 1.3: Enforce technical mining disclosure standards in prospectus filings

Lead: Corporate Finance

When making a prospectus offering, mining issuers provide additional technical documents that disclose important information about their business. Some technical materials filed with prospectus offerings by mining issuers have material deficiencies. Although we require issuers to rectify these deficiencies before we issue a final receipt for a prospectus, it appears that some issuers are relying on our regulatory review to catch their deficiencies, rather than taking responsibility for their own compliance.

Technical reviews relate primarily to whether filed technical documents comply with National Instrument 43-101 *Standards of Disclosure for Mineral Projects*. We see too many blatant deficiencies that appropriate due diligence and skilled preparation by both issuer and underwriter would prevent.

We will apply a variety of compliance tools in situations where we find poor technical disclosure. Our approach may include:

- Rejecting the application
- Using industry education to increase awareness about, and skill in preventing, common disclosure deficiencies
- Focusing compliance work on issuers that need to pay greater attention to their disclosure obligations
- Rewarding issuers with a history of compliant disclosure by fast-tracking their offerings
- Taking appropriate enforcement action when we find blatantly deficient disclosure, or in situations where directors, professional advisors, or underwriters repeatedly submit deficient disclosure

Performance measurements for Goal 1

PERFORMANCE MEASUREMENTS			TARGETS		
	05/06 Actuals /Baseline	06/07 Estimate	07/08 Target	08/09 Target	09/10 Target
1.1 Percentage of reviewed issuers that reduce deficiencies in their continuous disclosure a) Improved disclosure b) Improved disclosure to minimum standards	a. 90% b. 84%	Data will be available in 06/07 Annual Report	a. 90% b. 85%	a. 94% b. 85%	a. 94% b. 90%
1.2 Percentage of randomly sampled mining issuers that meet the minimum standards for technical disclosure	New measure	Setting baseline by end of this fiscal year	TBD based on initial results	TBD based on initial results	TBD based on initial results
1.3 Percentage of BC-prime reporting issuers on defaulting issuer list a) Late filing b) Unpaid fees c) Inadequate disclosure d) Total	a) 17% b) 18.5% c) 21% d) 23%	Data will be available in 06/07 Annual Report	Total issuers equal or less than 06/07	10% improvement over 07/08	10% improvement over 08/09
1.4 Average number of deficiencies per examination in Capital Markets Regulation	7.6 /57 categories	Data will be available in 06/07 Annual Report	Decrease deficiency average by 5%	Decrease deficiency average by 5%	Decrease deficiency average by 5%
1.5 Percentage of new IDA and MFDA firm clients who: a) Recall discussing their investment goals with their advisor b) Read specific disclosure	New measure	New measure	Set baseline	TBD based on initial results	TBD based on initial results

Measurement 1.1: Continuous disclosure improvement

Our corporate finance division reviews issuer disclosure for non-compliance. At the end of each fiscal year, we retain an outside auditor to analyze the subsequent continuous disclosure of a statistically significant sample of issuers that received comment letters from us during that year. We limit audits to the non-compliant disclosure documents for each issuer. These could include interim and annual financial statements, management discussion and analysis, or mineral exploration results. The audit methodology measures:

1. Any year-over-year improvement that demonstrates an issuer took action in response to our compliance efforts
2. Whether that issuer's new disclosure materials are compliant

The results of this review will show the extent to which our detailed CD review work motivated non-compliant issuers to improve their disclosure voluntarily. This measurement uses a different sample of issuers each year. This measurement does not gauge compliance for all issuers; it focuses only on the non-compliant disclosure of those issuers we choose to review based on our risk-based selection criteria.

This measurement will always lag by one year because we will have to wait for the next filing cycle to evaluate improvements from the prior year's disclosure. In May 2009, we will report on disclosure improvements resulting from reviews carried out between April 2007 and March 2008.

Measurement 1.2: Technical disclosure compliance

BC is home to many mining issuers. Those issuers who list on a Canadian exchange are required to comply with National Instrument 43-101 *Standards of Disclosure for Mineral Projects*. We will give a list of BC-based mining issuers to an external mining specialist, who will select randomly from that list and analyze whether those issuers' most recent technical filings were compliant with NI 43-101.

This review will show the extent to which a sample of BC-based mining issuers is compliant in their technical disclosure. Unlike Measurement 1.1, this sample draws from the issuer population, and so reflects the state of compliance in a specific part of our disclosure requirements.

Measurement 1.3: Issuer compliance with filing requirements

The *Securities Act* requires reporting issuers to file certain information on time, in the required form, and with the appropriate fee. One measurement of a compliant industry is that issuers consistently meet these filing requirements. We routinely put issuers that do not file or pay fees on time on a list of defaulting issuers. We also put an issuer on the list if we decide that a filing is clearly not in the required form.

We will track the total percentage of BC-prime reporting issuers on this list during each year. Firms that, in addition to being on the defaulting issuer list also had a cease trade order for more than 90 days, will be excluded from this analysis because that pattern suggests the issuer is leaving the market altogether. The percentage of BC-prime issuers that appear on the list each year should decrease over time.

This data might reveal that, despite a general improvement in compliance culture by other measures, the number of issuers in default increases in a particular year for one of two reasons. First, there might be transitional increases in non-compliance as we change our standards (for example, by imposing new disclosure requirements or shortening filing cycles). Second, a general downturn in the economy, the market, or a particular sector could put more issuers in financial difficulty and increase the risk that they would not meet their filing requirements. We should be able to account for these factors when interpreting the results.

Measurement 1.4: Compliance of directly-regulated securities firms

Our Capital Markets Regulation division reviews securities firms that are not SRO members for compliance with their regulatory obligations. Using risk-based assessment criteria, we examine those firms that pose the highest compliance risk more frequently and report results using 57 categories of deficiencies.

In fiscal 2007-2008, we will report the deficiencies per examination based on the 57 categories we use today, plus the deficiencies per examination based on the year-end categories. As we add, combine, or eliminate deficiency categories, we will need to reset the measurement. Our target will be to see the average number of deficiencies per firm decline over time.

Because we do risk-based examinations, we place a priority on reviewing firms for which we already have compliance concerns. This measurement will therefore uncover a higher average number of deficiencies than if we reviewed a cross-section of all firms. In addition, we may decide in a particular year to review all firms for specific compliance problems, which would raise reported deficiencies in defined areas. To neutralize this bias, we will adjust for the results of targeted examination sweeps.

Measurement 1.5: Survey of new IDA and MFDA clients

When we have a compliant registrant community, investment advisers will have informative discussions with their clients about the risks of investing and the suitability of proposed investments. To test for this, we will work with SROs and dealers to survey a sample of clients from new client lists to evaluate investors' new-account-opening experience. We will ask questions related to:

- The depth and nature of adviser inquiries about financial circumstances and investment goals
- Whether new purchases were accompanied by discussions about the specific products and disclosures
- Whether clients received, read, and understood specific disclosures

In addition to the self-reporting information we get from client surveys in this measure, we will analyze dealer documents and client account activity for consistency with client profiles and objectives as part of Strategy 1.1: *Assess the level of compliance with firm and salesperson suitability obligations.*

Goal 2: Act decisively against misconduct

Decisive action involves receiving and processing complaints and tips about alleged misconduct, conducting surveillance to detect misconduct, investigating suspected breaches of securities laws, and resolving cases through settlements and administrative hearings. We have strong compliance and enforcement processes to respond quickly and appropriately to cases of misconduct. We promote compliance through the various strategies outlined in Goal 1: *Promote a culture of compliance.*

Underlying an effective regulatory enforcement regime are strategies that focus on protection and prevention. One of our objectives is to intervene and disrupt misconduct to minimize investor losses. We allocate our resources to those cases that will provide the most significant protection to investors and send the strongest deterrent messages. Cost-effective enforcement stems from both how we select and manage enforcement cases and how we coordinate our enforcement actions with SROs and other regulators.

Core focus areas

1. *Detect, intervene and disrupt misconduct.* The majority of our cases involve illegal distributions; some involve fraud. We gather information about these activities quickly and intervene as early as possible to minimize investor losses. We do this by:
    - Raising public awareness of potential fraudulent activities and encouraging investors to report them
    - Sharing intelligence with other regulatory and enforcement agencies
    - Issuing temporary orders to stop misconduct and freeze orders to preserve assets
2. *Select and investigate a strong portfolio of enforcement cases.* Enforcement action in the form of administrative proceedings is a powerful tool for deterring misconduct. Because these actions are resource-intensive, we apply a risk-based approach to select and prioritize cases. We also continuously evaluate our portfolio of cases to assess the strength of evidence and their deterrence value.
3. *Complete investigations, settlements, and hearings in a timely manner.* Decisive action requires timeliness in investigating and resolving cases of misconduct. We will not compromise procedural fairness however in our desire for timeliness.
4. *Generate cases to refer for prosecution.* Many cases of misconduct involve fraud, which quasi-criminal and criminal prosecutions may deal with more effectively. We will strengthen our relationships with federal and provincial enforcement agencies and refer appropriate cases for prosecution.

Strategies supporting Goal 2

Three strategies support this goal:

- Strategy 2.1: Disrupt abusive junior market practices in British Columbia
- Strategy 2.2: Identify and respond to ongoing misconduct
- Strategy 2.3: Build case flow of *Securities Act* offences for prosecution by the Crown.

Strategy 2.1: Disrupt abusive junior market practices in British Columbia

Lead: Corporate Finance

We will continue dedicating resources to address Risk 3: *Abusive junior market practices*. The compliance and enforcement actions we take to disrupt abusive junior market practices in BC include:

- Raising awareness among BC-connected participants in the over-the-counter market that BC securities laws apply to them and that we will enforce those laws
- Cross-border and inter-agency surveillance, information sharing, and joint enforcement action to act more quickly and effectively to enforce BC and US securities laws
- Investigating and taking enforcement action on individual cases of misconduct involving the over-the-counter market
- Publicizing the compliance and enforcement results of our work to maximize the deterrent effect of our actions
- Implementing policy solutions to give the BCSC more tools to regulate the activities of BC-based OTCBB issuers
- Working with the IDA on issues related to OTCBB trading by their members
- Encouraging professional bodies to take action against their members who facilitate abusive practices

Strategy 2.2: Identify and respond to ongoing misconduct

Lead: Communication and Education

Last year we launched a new investor education strategy. At the centre of the program is a new program called InvestRight RED ALERTS. These ALERTS are designed to prevent, stop, and/or disrupt possible illegal investment activities.

Our Communications and Education and Enforcement divisions are working together on a strategy to gather and share information about suspected illegal distributions and investment scams.

We will issue InvestRight RED ALERTs, either province-wide or in specific communities as appropriate, to warn investors of suspicious activity to help prevent investor losses. We will release these ALERTS to the media and to local enforcement agencies. We will follow-up with community leaders, mainstream and ethnic media, and others in a weeklong, intensive program to get key warning messages out.

Enforcement will step up its case review to look for opportunities to disrupt suspected illegal activity by issuing temporary orders where appropriate and freezing assets to protect investor losses.

Strategy 2.3: Build case flow of *Securities Act* offences for prosecution by Crown

Lead: Enforcement

British Columbia investors are exposed persistently to both large- and small-scale illegal distributions. These illegal distributions are strict liability offences under the *Securities Act.* Criminal or quasi-criminal sanctions will have a greater impact than administrative orders on serious or deliberate acts of misconduct.

From time to time, individuals subject to orders under section 161 of the *Act* breach them. Further regulatory sanctions against such individuals are likely to be ineffective.

To both reduce illegal distributions (fraudulent and otherwise) and support effective commission orders, we will focus this year on increasing the number of cases investigated and referred to Crown counsel for prosecution under the *Act*.

Performance measurements for Goal 2

PERFORMANCE MEASUREMENTS			TARGETS		
	05/06 Actuals /Baseline	**06/07 Estimate**	**07/08 Target**	**08/09 Target**	**09/10 Target**
2.1 Percentage of new cases with active misconduct where we intervened	Will construct from past data	Will construct from 6 month data	TBD based on data	TBD based on data	TBD based on data
2.2 Average life, in months, of cases resolved via settlement or decision	49 months	30.1 YTD (6 months)	5% improvement over 06/07	5% improvement over 07/08	5% improvement over 08/09

Measurement 2.1: Action in response to ongoing misconduct

Detecting active misconduct and then preventing, stopping, or disrupting it early benefits investors, especially since the amount of money investors lose in illegal distributions tends to increase exponentially over the lifespan of the distribution. We will track the cases accepted each year for enforcement action where the misconduct was ongoing when the BCSC learned of it. We will calculate the percentage of those cases we acted on by a freeze order, a temporary order, or some other form of formal or informal disruption. This will show how often we take action to stop misconduct.

Measurement 2.2: Timely resolution of enforcement cases

Timely enforcement is essential to acting decisively against misconduct, yet many processes influence our ability to resolve a case. From conducting investigations to negotiating settlements, conducting hearings, and writing decisions – these required stages of enforcement action can consume vast amounts of time and resources and slow down case resolutions.

We want to be transparent about the average time this process takes. For cases we close by settlement or a decision in the fiscal year, we will measure the average number of months a case is open from when we first learn of the conduct to the case's completion by settlement or decision.

Goal 3: Educate investors

Investor education strengthens our regulatory system by teaching retail investors how they can protect their financial interests. Investors face a number of risks including:

- Lack of investment skills and knowledge to make informed investment decisions
- Vulnerability to fraudulent and abusive investment schemes
- Poor financial planning for retirement

Our InvestRight program launched last year teaches investors critical thinking skills so they will look at investment opportunities with a healthy skepticism. It also warns investors about the hallmarks of an investment scam through our RED-FLAGs campaign. The InvestRight program targets those investors with the most to lose: seniors (many of whom are on fixed income) and pre-retirement "boomers". We will build on our education strategy by seeking out new partnerships to help us get our key messages out.

Many British Columbians appear to lack the skills and knowledge to prepare themselves financially for retirement. These skills are particularly important as investors take on more of the risk and responsibility of managing their retirement savings, either within or outside a defined contribution plan, a group RRSP, or other retirement savings plan. We will develop a program for reaching investors saving for retirement under Strategy 3.1: *Strengthen public awareness programs.*

We also recognize the importance of educating youth. We have developed a Financial Life Skills resource that teaches financial literacy to youth through the government-mandated Planning 10 program for grade 10 students. Under Strategy 3.3: *Financial literacy for youth*, we will broaden awareness of this resource among educators and continue to support them in the use of our materials.

We will continue to make investor education more cost-effective by improving how we get the public's attention, how we choose and work with partners and other regulators to reach investors, and the content of our messages.

Core focus areas

1. *Create public awareness of investor education programs.* Investors need to understand that they are responsible for their own finances. They need to develop the skills and knowledge to attain healthier financial outcomes. Investors also need to learn how to protect themselves from fraudulent investment schemes.
2. *Develop relevant partnerships.* We have already partnered with some key organizations to help us get our investor protection messages out. We aim to expand our capacity to reach our target investor groups by continuing to look for new partnerships and opportunities.
3. *Reach investors early.* The best time to reach investors is before they suffer investment losses. We aim to help investors learn fundamental financial skills and teach them to spot potential fraudulent investment schemes. We want them to have

the confidence to ask the right questions and to research potential investments, legitimate or not, before they part with their money.

Strategies supporting Goal 3

Three strategies support this goal:

- Strategy 3.1: Build public awareness of our investor education programs
- Strategy 3.2: Develop media partnerships in ethnic communities
- Strategy 3.3: Financial literacy for youth

Strategy 3.1: Build public awareness of our investor education programs

Lead: Communication and Education

Last year we launched the BCSC InvestRight program with a website and an investor education BC tour that began in October 2006. The program also includes partnerships with the BC Crime Prevention Association, BC Hydro retirees' Power Pioneers and its Senior's Safety and Crime Prevention Wise Owl program, and the Better Business Bureau.

The objective of InvestRight is to provide a consumer-friendly, accessible, one-stop resource for BC investors. Over time, we want it to be recognized throughout the province as a credible source of investor education information. We launched a RED-FLAGs campaign in conjunction with InvestRight, to warn investors about pitch-lines used in scams so they can spot, avoid, and report suspicious investment activity to the BCSC.

These programs target seniors and pre-retirement baby boomers. We will strengthen them in the coming year through the following initiatives:

- Increase media and police attention through InvestRight RED ALERTS to prevent, stop, and disrupt scams.
- Design a module as part of the InvestRight program aimed to help investors understand the importance of, and their responsibilities for, planning for their retirement. This is particularly important for investors who have no defined benefit plan that will provide them with an assured income stream in their retirement.
- Increase awareness of the BCSC and its InvestRight program by driving traffic to the InvestRight website and increase attendance at our investor protection seminars.

Strategy 3.2: Develop media partnerships in ethnic communities

Lead: Communication and Education

The BCSC's affinity fraud program is well established in religious communities in the lower mainland. Last year we expanded our reach across the province by partnering with the Mennonite Brethren. Each partnership is tied to the interest and willingness of the leaders of various denominations to recognize the threat of affinity fraud to their congregations. We will continue to expand our partnerships with religious associations.

Another type of affinity fraud common in BC is affinity through ethnicity. Our analysis shows that the most promising approach to reaching ethnic communities is through their own media outlets. We will use the InvestRight program to develop media partnerships in ethnic communities throughout the province. We expect these partnerships to help us reach leaders in various ethnic communities and to provide new vehicles and opportunities for sparking awareness about investment fraud in those communities.

Strategy 3.3: Financial literacy for youth

Lead: Communication and Education

Last year we officially launched the BCSC's Planning 10 Finances resource, which we had developed and introduced to BC high schools two years earlier. The resource supports the government's mandatory financial literacy program for youth. We will continue to advocate use of this teaching resource by BC teachers and students, with an emphasis on increasing awareness, maintaining high approval ratings, and spreading word-of-mouth promotion.

We will strengthen our "teach the teacher" program for Planning 10 through telephone outreach and online training tutorials that will give teachers remote access to training when and where they need it. This will give them the support and confidence they need to use the resource materials.

In 2006 – 2007, we will continue to look for other ways to reach new teachers and teachers new to Planning 10.

Performance measurements for Goal 3

PERFORMANCE MEASUREMENTS			TARGETS		
	05/06 Actuals /Baseline	06/07 Estimate	07/08 Target	08/09 Target	09/10 Target
3.1 Number of complaints and tips received as a result of InvestRight investor education and outreach programs	New measure	Baseline based on 3 months data	Adjust 06/07 baseline to full year and increase 3%	Increase 4% over 07/08	Increase 5% over 08/09
3.2 Percent of workshop participants who applied investor education messages	New measure	Start baseline based on 3 months data	Set baseline using 12 months of data	Increase 2% over 07/08	Increase 3% over 08/09
3.3 Percentage of BC public aware of BCSC	New measure	42%	44%	47%	50%

Measurement 3.1: Complaints and tips received from InvestRight programs

Through our public awareness and outreach programs, we hope to increase the flow of complaints, and information we receive, from the media, enforcement agencies, or the public about possible investment frauds or illegal activities. This network of information will strengthen our ability to detect misconduct and help us prevent, stop, or disrupt these activities. The Investor Index survey told us that only 14 percent of the 1 in 3 Canadians who had been approached with an investment fraud reported it. Our objective is to improve this number over time and we expect our RED ALERT and InvestRight education programs to generate more leads.

We will track the number of enquiries, referrals, and complaints we receive from law enforcement agencies such as the RCMP, IMET, local police, public, media and others in response to our InvestRight programs and partnerships.

Measurement 3.2: Workshop participant application of investor education messages

Measuring what investors know about how to protect themselves helps us to demonstrate the effectiveness of our investor education programs. We will rely on our new partnership with the BC Crime Prevention Association and the contact and distribution network of the BC Power Pioneers to deliver investor education workshops to BC residents, primarily seniors. The program focuses on the red flags that characterize investment frauds and how investors can protect themselves from fraud.

We will establish a baseline by surveying seminar participants before and after each presentation and again after they have made an investment. The pre-survey will collect information on their most recent investment decisions, their investment fraud experience, and their awareness of the BCSC. The post-survey will collect information about how they intend to approach their next investment and what they have learned about investment fraud. The follow-up survey will only be completed by people who have made an investment after participating in the program, probably within six months, and will collect information about actual investing behaviors.

Our experience with the Power Pioneers' workshops will set the measurement standard for future partners. We know already, however, that it is often difficult to get seniors to participate in surveys. We may need to review the viability of this measure and adjust it accordingly.

Measurement 3.3: BCSC awareness

BCSC investor education resources provide BC retail investors with valuable information to help them protect themselves from fraud and unsuitable investments. Yet we know from our recent Investor Index survey that only 42 percent of BC adults are aware that there is an agency that regulates financial investments in BC. We aim to build awareness of the BCSC and our many investor education resources so that British Columbians will know where to turn and what to do when faced with a fraud or unsuitable investment opportunity.

This measurement will track what people know about the BCSC and our resources. We expect awareness to increase over time in direct relation to the programming initiatives. We will collect data by asking both unaided and aided awareness questions in next year's CSA consumer survey.

Goal 4: Advance cost-effective regulation

We apply a disciplined, problem-focused approach to dealing with market issues. Our approach to regulation focuses on problem definition, regulatory tool selection, and effective regulation design. We apply this approach in responding to both local and national risks and opportunities. As most BC market participants operate nationally, we work closely with the CSA and SROs to streamline and improve the Canadian regulatory system.

Regulation inevitably imposes costs through fees, compliance costs, and restrictions on innovation. Investors ultimately pay these costs: higher costs for public companies mean lower returns for their shareholders; higher costs for securities firms mean higher fees for their clients. We aim to regulate to provide the greatest investor protection and market integrity benefits for the least cost. When regulation is both effective in its outcomes and efficient in how it is achieved, we consider it to be cost-effective.

We aim to advance cost-effective regulation through our CSA harmonization work. Failing to introduce cost-effective regulation through CSA will keep regulatory costs unnecessarily high for BC investors and market participants alike.

Core focus areas

1. *Emphasize practical regulatory solutions.* Events, complaints, and changes in market practices and products constantly raise questions about the possible need for regulatory intervention. We analyze current and emerging market issues to define them as precisely as possible and assess whether regulatory intervention is appropriate. If so, we will look at the full range of potential regulatory responses and advance those that will provide significant benefits that exceed the costs.
2. *Efficiently use our resources.* We allocate our resources commission-wide to operate efficiently. Practices such as risk management, cross-divisional teamwork, and benchmarking inform our resourcing decisions. By considering the efficiency of our organization, we apply our resources to the most important areas and minimize fees industry needs to pay for regulatory oversight.
3. *Timely delivery of key services.* Market participants need regulatory clearance for some types of transactions or business activities. We process completed applications for prospectus receipts, registrations, and exemptions in a timely manner, recognizing that delay adds to costs.

Strategies supporting Goal 4

Three strategies support this goal:

- Strategy 4.1: Work with government and other regulators to implement harmonized legislation and the passport system
- Strategy 4.2: Advance clear problem definition and outcomes-focused solutions
- Strategy 4.3: Apply risk management to our compliance processes

Strategy 4.1: Work with government and other regulators to implement harmonized legislation and the passport system

Lead: Office of the Chair

We will continue to work with government and other Canadian securities regulators to make the Canadian securities regulatory system more efficient and effective through the passport system for securities regulation. The goal of the passport system is to permit a market participant to have access to capital markets in multiple jurisdictions by dealing with its principal regulator and complying with securities laws in that jurisdiction. The passport system presumes highly harmonized and streamlined securities legislation across Canada.

In 2005, the members of CSA, except Ontario, adopted Multilateral Instrument 11-101 *Principal Regulator System*, which implemented the first phase of passport. In 2006, the regulators sought amendments to their legislation to obtain additional tools to implement more passport measures. British Columbia and some other jurisdictions have already adopted the passport tool amendments and the changes are under way in most others.

This year, we will continue working with CSA to develop a proposal for the second phase of the passport system. We will also continue to participate in the work to harmonize the prospectus and registration system and other areas of securities regulation.

Strategy 4.2: Advance clear problem definition and outcomes-focused solutions

Lead: Executive Director's office

We work with CSA to develop national solutions to market problems. We will actively work with CSA to encourage strong problem definition and outcomes-focused solutions. We will do this by:

- Developing a Regulatory Risk Assessment model for new CSA policy project proposals. Applied properly, this discipline will help to define the problem more precisely and design a cost-effective regulatory response.
- Training CSA staff to conduct Regulatory Risk Assessments.
- Consulting more effectively with industry on proposed regulatory responses. Through these consultations, we will work with market participants to better understand their business and the impact on them of the proposed response.

Strategy 4.3: Apply risk management to our compliance processes

Lead: Corporate Finance for issuer initiatives; Capital Markets Regulation for Capital securities firm initiatives

We are continuing to improve our compliance processes. Last year we developed risk assessment tools and tested them on selected compliance issues. We are strengthening our capability to detect potential problems as they arise and deploy our resources to deal with the most significant threats to investors or the market. This year we will implement our risk management environmental scan across our compliance processes and use the assessment tools to evaluate potential risks.

Risk management will support our objective to realize value for our stakeholders. We make decisions in setting strategy and in operating day to day that create, preserve, or erode value. This program will help us:

- Identify significant risks
- Focus efforts on particular risks or categories of risk
- Implement cost-effective responses
- Maintain risk controls
- Establish risk reporting processes

Performance measurements for Goal 4

PERFORMANCE MEASUREMENTS			TARGETS		
	05/06 Actuals /Baseline	06/07 Estimate	07/08 Target	08/09 Target	09/10 Target
4.1 Average score on cost-effective regulation scorecard	New measure	New measure	Set baseline	Improve on 07/08	Improve on 08/09
4.2 Average approved project post-implementation score	New measure	New measure	Set baseline	Improve on 07/08	Improve on 08/09
4.3 Average BCSC fee load for prime issuers and registrants in BC, AB, and ON - For a segment of issuers - For a segment of PM/IC firms	New measure	Setting baseline by end of this fiscal year	TBD based on initial results	TBD based on initial results	TBD based on initial results

Measurement 4.1: Scorecard for advancing cost-effective regulation

The BCSC is committed to regulating in a way that is flexible, outcomes-focussed, and cost-effective. To measure cost-effective regulation, we will create a scorecard that tracks the important steps and outcomes in responding to market problems. We will apply the scorecard to all CSA policy projects as well as our local efforts to create new cost-effective regulation. The scorecard will report on the extent to which we are taking steps to advocate our cost-effective regulation principles and will give further credit for outcomes-focused results. We will report the average score of projects completed each year.

If there are fewer than five new projects scored in a single year, we will use the average for the last five projects. We will not include rules that we adopt purely to harmonize with other jurisdictions in this analysis. The process CSA uses to create harmonization rules does not consider problem definition or alternative tools.

Measurement 4.2: Scorecard for approved project post-implementation

For this measurement, we define a "project" as an initiative that requires executive director approval, and either costs more than $10,000 or takes more than 25 person days. We justify these projects in writing and include a description of the expected benefits. Some projects will forecast a return on investment generated by cost savings or cost avoidance that "pays" for the project within a reasonably short period (typically up to three years). Other projects promise efficiency improvements or improved quality, accuracy, or control.

We will assess each project at a predetermined time after the project's completion (as documented in the project proposal) and score the project's success relative to its proposed benefits. This assessment will normally occur after six months, but for reasons of complexity or novelty may be conducted as early as three months or as late as 12 months after a project completes. The baseline we set will be an average of the projects assessed during the year.

Measurement 4.3: BCSC fee load for prime issuers and registrants relative to other jurisdictions

This measure compares the fees paid to us by BC-prime issuers and registrants to the fees paid by issuers and firms that have Alberta or Ontario as their principal regulator. Securities market participants fund our operations through fees they pay under the *Securities Act*. Our fees are usually a small portion of the costs of market participation. However, we strive to keep them competitive with comparable jurisdictions to minimize the potential for our fees to cause firms to choose to operate elsewhere or avoid market participation altogether.

We will calculate the average fees that issuers and firms based in Ontario, Alberta, and BC pay to their principal regulator. By calculating the average direct regulatory cost per entity across these three provinces, we can see how our cost to issuers and firms compares to other provinces.

Summary financial outlook

Financial structure and history

We try to operate at a break-even level over the business cycle. This is challenging because most of our costs are fixed, but our revenues fluctuate in proportion to market activity. Securities market participants fund our operations through fees they pay under the *Securities Act*. Salaries, benefits, and occupancy costs make up about 80% of our operating expenses. As a BC government agency, we are exempt from income taxes and the GST.

Strong market activity during the late 1990s resulted in higher than necessary fee revenues and an accumulating surplus. From our incorporation on April 1, 1995 to March 31, 2001 we accumulated surpluses totaling $25.1 million, net of a $12 million transfer to the Province.

To address the imbalance, we eliminated or reduced 14 fees, totaling approximately $4 million of annual revenue, on January 1, 2001. To return about $12 million of the accumulated surplus to market participants, we also temporarily reduced fees in January 2002 for one year. We allocated $12 million of the remaining surplus to the Fee Stabilization Reserve (FSR). The FSR ensures that temporary reductions in revenue do not immediately impair our ability to operate, or force reactive fee changes.

We had an FSR balance of $12.0 million as of March 31, 2006. If sufficient assets become available, we will increase the FSR to $15.0 million over the planning period. We will also draw on the FSR, if needed, over the planning period.

We expect a surplus in 2006-2007. Higher distribution and registration revenue and higher investment income will offset a modest decrease in financial filings revenue caused by filing cycle changes.

We expect to break even in 2007-2008.

The following table summarizes our actual and expected results of operations and financial position, by year:

Summarized Statements of Operations

	05/06	06/07	07/08	08/09	09/10
(000,000's)	Actual	Forecast	Budget	Projection	Projection
OPERATIONS					
Revenue					
Filing fees					
Prospectus and other distributions	14.7	15.7	15.3	15.8	16.3
Registration	8.3	8.7	9.0	9.2	9.5
Financial Filings	4.6	4.5	4.4	4.6	4.7
Other fees	0.5	0.5	0.4	0.2	0.1
	28.1	29.4	29.1	29.8	30.6
Other revenue					
Enforcement cost recoveries	0.1	0.2	0.2	0.2	0.2
Investment income	0.5	0.7	0.9	1.0	1.1
Total revenue	28.7	30.3	30.2	31.0	31.9
Expenses					
Salaries and benefits	20.2	21.2	22.7	23.3	24.1
Other operating expenses	7.2	7.0	7.5	7.7	7.8
Total expenses	27.4	28.2	30.2	31.0	31.9
Operating surplus for the year	**1.3**	**2.1**	-	-	-
EDUCATION RESERVE					
Education revenues					
Investment income	0.1	0.1	0.1	0.1	0.1
Penalties and designated settlement revenue	0.7	1.3	0.5	0.5	0.5
	0.8	1.4	0.6	0.6	0.6
Education reserve disbursements	1.2	0.7	0.6	0.6	0.6
Education reserve (deficit) / surplus for the year	**(0.4)**	**0.7**	-	-	-
Consolidated surplus for the year	**0.9**	**2.8**	-	-	-
Surpluses					
General	1.7	2.9	1.9	1.3	0.7
Fee stabilization reserve	12.0	13.0	14.0	14.5	15.0
Education reserve	2.4	3.1	3.1	3.1	3.2
	16.1	19.0	19.0	18.9	18.9
SUPPLEMENTARY INFORMATION					
Cash and short-term investments	6.7	9.2	8.4	8.5	8.6
Capital expenditures	0.3	0.1	0.9	0.5	0.5
Average FTEs	191	197	200	198	197

Operating revenues

Our operating revenues consist of:

- Fee revenues – filing, registration, and application fees paid by securities market participants
- Enforcement revenues – hearing cost recoveries and amounts designated under settlements as cost recoveries
- Investment portfolio income

Fee revenues

Almost all of our operational funding comes from fees paid by market participants, including mutual funds that contribute about 40% of our fee revenue. We collect:

Category	Source	% of Fee Total	
		Forecast 2007	Fiscal 2006
Distribution fees	Paid by securities issuers when they file disclosure documents	53.5%	52.3%
Registration fees	Paid by firms and individuals to register with us to sell or advise on securities	29.6%	29.6%
Financial filing fees	Paid by public companies when they file annual and quarterly financial statements	15.2%	16.4%
Other fees	Paid by market participants, primarily to request exemptions from Securities Act requirements	1.7%	1.8%

Distribution fee revenues vary depending on the number and sizes of offerings completed in each year and are higher during strong markets. The remaining fee categories have low volatilities.

The largest share of our fee revenue comes from prospectuses[1] (about 35% of total fee revenue), exempt distribution reports[2] (about 10% of total fee revenue), and annual information forms[3] (about 5% of total fee revenue). Issuers pay us fees to file these documents. Also:

- When sales under a prospectus exceed $7.5 million, an additional fee, called a "percent of proceeds fee", may be payable.
- When reported sales under an exempt distribution report exceed $0.3 million, an additional fee may be payable.

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[1] Companies are normally required to prepare a prospectus before raising money from the public. A prospectus gives details of the operations, financial status and management of the company.

[2] Prospectus exemptions allow companies to sell securities without a prospectus when other factors (like relationship or financial sophistication) ensure investors have access to all information about the proposed transaction that could affect their purchase decision.

[3] An AIF gives details of the operations, financial status and management of the company.

Fee revenues should grow by about $1.3 million (4.6%) in 2006-2007, due primarily to:

- $1.0 million (6.8%) higher distribution fees, related mostly to an increase in mutual fund sales
- $0.4 million (4.8%) higher registration fees because of growth in advisor registrations
- $0.1 million (2.2%) lower financial filings fees because of filing cycle changes

We expect fee revenues to decline about $0.2 million (0.6%) in 2007-2008 as capital market activity may have reached a plateau. For the remainder of the planning period, we expect revenues to increase modestly, either through increases in market activity or filing fee increases.

Prospectus and other distribution filing fees
We expect the "percent of proceeds" fees from prospectus filers in 2007-2008 to drop $0.2 million (5%). Filers, mostly mutual fund issuers, pay these fees in arrears. Analyzing current mutual fund gross sales statistics helps us to predict changes in revenue. Mutual fund industry statistics show that gross fund sales were 3% lower during the twelve-month period ended November 30, 2006 compared to the prior twelve-month period.

We expect 15% ($0.4 million) lower exempt distribution report fees in 2007-2008. These fees have not declined so far in 2006-2007. However, we expect some moderation after 2005-2006 and 2004-2005 increases of $0.8 million (40%) and $0.4 million (30%), respectively. After such extraordinary growth, we expect exempt market activity, and therefore exempt distribution report fees, to decline modestly in the coming year.

We expect $0.2 million (14%) higher AIF fees in 2007-2008 because we expect more issuers to take advantage of the relatively new "short-form" offering system. This system reduces the time and cost of bringing an offering to market by allowing an issuer to reference existing disclosure in an offering document. One requirement of the "short-form" system is to have a current AIF.

Excluding timing differences, we expect 3% growth in all prospectus and distribution filing fees over the remainder of the planning period.

Registrations
Qualified individuals who wish to sell or advise on securities in BC must apply to us for registration and then pay an annual fee to maintain it. Annual registration fees are paid to us in advance and we recognize the revenue over the following calendar year.

We expect registration revenues to grow by $0.4 million (4.2%) in 2006-2007, and by $0.3 million (3.8%) in 2007-2008, based on industry registration statistics. We have forecast modest growth of 2.5% per year thereafter because we anticipate a slowdown in new registrants due to consolidating industry trends, such as online investing.

Financial filings

Public companies (typically mutual funds and exchange-listed companies) pay financial filing fees with their quarterly and annual financial statement filings.

Historically, financial filings revenue has not been volatile, except for the effects of temporary fee reductions and filing cycle changes. We expect revenues to decrease by $0.1 million (3.1%) in 2006-2007 because of a filing cycle change. For 2007-2008, we expect revenue from this source to remain flat. We have forecast modest growth of 2.5% per year over the remainder of the planning cycle.

Other applications and filings

Market participants pay fees in this category primarily when requesting exemptions from *Securities Act* requirements.

We expect no growth in this revenue stream in 2006-2007. Higher application volumes related to strong capital market activity stabilized revenue from this source in 2005-2006 after several years of decline related to our decision to reduce the need for exemptions through general exemption orders that apply to all market participants. We expect to lose $0.4 million (80%) of revenue from this source over the forecast period because of filing requirement changes proposed under the *Passport* initiative (see page 49).

Revenue sensitivity

Each 1% change in our overall fee assumptions alters forecast revenues by about $2 million over the planning period.

Fee Revenue Growth

(000,000's)	05/06 Actual	06/07 Forecast	07/08 Budget	08/09 Projection	09/10 Projection
Fee Revenue					
Revenue from fees	28.1	29.4	29.1	29.8	30.6
Fee revenue growth rate	5.7%	4.3%	-0.5%	1.9%	2.4%

Enforcement revenues

Enforcement cost recoveries are unpredictable. Revenues depend on the timing of enforcement actions completed during the period and on our ability to collect assessed amounts. Collecting enforcement cost recoveries can be difficult because respondents often have limited assets, poor credit, or have left British Columbia. We collect most amounts designated under settlements as cost recoveries, so we accrue these amounts. Since we collect few hearing cost recoveries, we recognize these revenues only when paid.

Since our incorporation on April 1, 1995, we have collected $11.6 million (48%) of $24.5 million sanctioned. We pursue unpaid amounts, which totaled $12.8 million as of December 31, 2006 (March 31, 2006 - $12.9 million), vigorously and indefinitely.

We budgeted a conservative amount for 2007-2008 enforcement revenue by basing it on the five-year average after excluding unusually large receipts in any particular year. We have assumed no growth in enforcement revenue over the planning period.

Investment income

Our portfolio generates modest returns because we invest conservatively. Most of our funds are in investment pools managed by the British Columbia Investment Management Corporation (bcIMC), a BC government organization. About half of our bcIMC-invested funds are in 15-month or shorter money market instruments through its ST2 fund. The rest are in its Short Term Bond fund, which invests in Canadian bonds that mature within ten years, issued or guaranteed by Canada or a Canadian province.

We have assumed investment yields between 3.9% and 5.0% over the planning period, based on Treasury Board forecasts.

Operating expenses

We are committed to managing our expenses so they do not exceed the revenue expected over the business cycle. We do this by:

- Preparing an annual budget approved by the commission
- Reporting budget variances monthly to management
- Requiring commission approval for significant unbudgeted expenses
- Continually improving the efficiency of our processes

To 2006-2007, we expect five-year average operating expense growth to be 1.6%.

Filing and policy expectations have increased in recent years, while our staff has been declining. We will add 3.25 FTEs (1.5%) to our approved complement in 2007-2008 so we can maintain service levels. Otherwise, we expect operating expenses to grow modestly over the planning period. Annual performance-based salary increases drive most of our non-project expense growth. We expect annual performance-based salary increases to average 3.8%. With the exception of activity-based expense changes, we expect all other expenses to increase at the government-forecasted, 2.1%, annual rate of inflation.

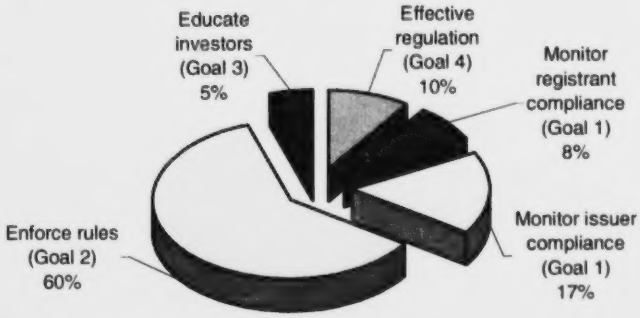
Operating Expense Growth

(000,000's)	05/06 Actual	06/07 Forecast	07/08 Budget	08/09 Projection	09/10 Projection
Operating Expenses					
Expenses, excluding education disbursements	27.4	28.2	30.2	31.0	31.9
Operating expense growth	2.8%	2.8%	7.1%	2.7%	2.8%

Salaries and benefits

Staffing costs are almost 75% of our operating expenses. We compete for professional staff with law and accounting firms, the securities industry, and other regulators. Like most of our competitors, we offer a compensation package that includes merit-based salary increases and a performance-based incentive program. To remain competitive, we conduct salary surveys annually and adjust salaries that are too low.

We spend our salaries budget in five areas (overhead allocated proportionately):



Planned results reflect the following significant staffing assumptions:

- We expect a 3.25 FTE (1.5%) increase in staff size effective April 1, 2007, a two FTE (1%) decrease effective April 1, 2008, and a one FTE (0.5%) decrease effective April 1, 2009
- Base salary and benefit cost increases 5% for 2007-2008, and averages a 4% per year increase over the remainder of the planning period

Professional services

Professional service costs relate primarily to:

- Legal services to defend our actions when appealed to higher courts
- Fees paid to the IDA for registration services delegated to them
- Our share of CSA project and management costs
- Legal services to support policy development
- Interview and hearing transcription services
- Corporate services activities, including disaster recovery facility and internal audit costs

External consulting to improve our performance measurement systems, recruit new staff, and to process registration applications, will increase annual professional service costs by about $0.3 million, starting in 2007-2008. Otherwise, we expect only inflationary growth in professional service costs over the planning period.

Rent

We have leased office space to November 2011 at an annual rent, net of sublease recoveries, of about $0.9 million. We also pay a proportionate share of the building's operating and maintenance costs, which we do not expect to grow at more than inflation over the planning period.

Depreciation and capital expenditures

We depreciate our leasehold improvements, fixtures, and information technology over their useful lives using the straight-line method. We estimate the useful lives of our assets to be:

- Information technology – four years
- Leasehold improvements – the shorter of the length of the remaining lease term and the length of the estimated useful life of each improvement
- Office furniture and equipment – 10 years

We expect depreciation to average $1.0 million per year over the planning period.

We expect planned capital spending to be $0.1 million in 2006-2007, $0.9 million in 2007-2008, and to average $0.5 million per year over the remainder of the planning period. Capital spending will relate primarily to computer systems and applications.

Information management

We spend significant amounts on information systems and management annually to continually improve market participants' access to our services and the information we maintain, and the timeliness and quality of our regulatory activities. Information management has three main components:

- Software licensing and maintenance fees – most significantly for office productivity, workflow, and document management applications
- Electronic information services and hardcopy materials
- Physical record scanning and storage costs

We do not expect the composition of our information management activities to change significantly, and we expect only inflationary growth in their cost, over the planning period.

Education reserve

We appropriate receipts from administrative penalties and settlement payments in excess of our costs of investigation to our Education Reserve. We use education reserve funds only to educate securities market participants and members of the public about investing, financial matters, or the operation and regulation of securities markets. We supplement education fund disbursements by absorbing indirect education costs in our operating budget. For example, we normally fund staff time spent supporting education fund projects, and education programs that include a significant promotional component, from operations.

Education revenue

Education revenue is difficult to predict because it depends on the nature and timing of enforcement actions completed during the year, and on our ability to collect assessed amounts. We have therefore used the long-term historical average to estimate 2007-2008 income, and have forecast no growth over the remainder of the planning period.

Education expenses

We disburse our Education Fund at the discretion of the commission. We expect to disburse $0.7 million in 2006-2007. Because fund outflows are discretionary, we have assumed that fund disbursements will equal fund inflows over the remainder of the planning period.

The most significant component of 2006-2007 education expenses relates to distributing and maintaining a financial planning course module (Planning 10) for grade 10 students. Our award-winning Planning 10 module includes teaching materials, an illustrative DVD, student portfolios, and a supporting website.

The Education Fund balance was $2.4 million at the end of 2005-2006. We expect the fund balance will increase to, and then stabilize at, $3.2 million during the planning period.

Risks and Opportunities

Fee revenue

Temporary fee reductions and lower market activity significantly reduced fiscal 2003 and 2004 revenues. Market activity increased in fiscal 2005, and has since been strong. We continuously monitor our fee structure and may propose changes to ensure we break even in future years.

Securities regulatory reform

We have been supporting government's work to implement the regulatory reforms outlined in the September 30, 2004 *Memorandum of Understanding Regarding Securities Regulation* (Passport MOU), signed by most of Canada's ministers responsible for securities regulation. The Passport MOU proposes a single window access to capital markets in participating provinces and territories, harmonized and streamlined legislation, and a review of the regulatory fees charged in the context of the passport system.

The Passport MOU may ultimately change what we do and how we fund our operations. However, with the exception of our applications and filings revenue, we have forecast no effect on our revenues and expenses because we expect any changes to have no net impact on our bottom line.

National electronic filing systems

About 90% of our fee revenue is collected through the SEDAR and NRD electronic filing systems. Under various agreements with the Canadian Securities Administrators, CDS Inc. operates the SEDAR, SEDI, and NRD electronic filing systems. Should CDS become unable or unwilling to continue to operate them, the CSA would have to contract with another party.

CDS operates the SEDAR electronic filing and payment system on behalf of the CSA under an August 1, 2004 agreement with the CSA Principal Administrators, Alberta Securities Commission, British Columbia Securities Commission, Ontario Securities Commission (OSC), and L'autorité des Marchés Financiers. Under the agreement:

- The CSA Principal Administrators must pay CDS if SEDAR system operating costs exceed revenues (a "shortfall"). Our portion of that guarantee is limited to 15.4% of any shortfall. The chance of an operating loss is low, however, because SEDAR typically generates positive operating results. Revenues and expenses do not vary much from year to year and the CSA participate in setting the system's annual operating budget.
- CDS must pay SEDAR revenues in excess of system operating costs (a "surplus") to the CSA Principal Administrators. Any surplus is not divisible; the CSA Principal Administrators own it as a group.

CDS has paid $12.6 million to the OSC, in trust, representing surpluses generated by SEDAR during the November 1, 2002 to October 31, 2006 period. The CSA Principal Administrators have agreed to use these funds only for the benefit of national filing system users through system enhancements or usage fee adjustments.

Temporary Fee Reductions

We expect a $0.3 million/year fee holiday for MFDA members in good standing to end in fiscal 2010. The forecast is net of the estimated impact of these fee reductions.

Appendix A. Review of performance measurement systems for each Service Plan measurement

Data source	Data collection method	Data collection frequency	Disclosure of any limitations to the accuracy and reliability of the data	Data timeliness	Data controls
Measurement 1.1: Continuous disclosure improvement					
Independent evaluation against criteria set by BCSC staff	Manual submission of reviewer's report	Collected annually	Measurement relies on objective professional judgment of disclosure quality	Measures work done 12-24 months before the report: issuers cited by the BCSC from April 2006 to March 2007 will be reported on in May 2008.	Electronic system creates list of issuers with significant deficiencies. Reviewer then randomly selects issuers from the list to assess.
Measurement 1.2: Technical disclosure compliance					
Independent evaluation against criteria set by BCSC staff	Manual submission of reviewer's report	Collected annually	Measurement relies on objective professional judgment of disclosure quality	Measure is based on current continuous disclosure record of the selected issuers	Electronic system allows us to pull list of BC-prime mining issuers.
Measurement 1.3: Issuer compliance with filing requirements					
Internal database	Manually compiled	Collected continually; only relevant as a measurement at year end	- Some firms who proceed to delist are still captured in this measure - An issuer can be in default between week-to-week list publications, and would be omitted from this measurement	Measurement reflects firms on defaulting list at some point during fiscal year	Internal control environment

Data source	Data collection method	Data collection frequency	Disclosure of any limitations to the accuracy and reliability of the data	Data timeliness	Data controls
Measurement 1.4: Compliance of directly-regulated securities firms					
Data entered manually based on exam deficiency letters	Data comes from a manually-updated Excel spreadsheet, and is adjusted for targeted reviews	Collected at year end	- Measurement relies on a our classification of compliance problems, which can change every year - Small data set - Measurement relies on judgment of evaluators	Measurement reflects data from exam letters sent during annual reporting period	Internal control environment
Measurement 1.5: Survey of new IDA and MFDA clients					
Retail client surveys	To be determined We plan to work with a consumer survey expert to design the survey	Collected once a year for measurement purposes	- The measure looks at the perceptions of the clients of their relationship with their broker. - Definitions of activities may not mean the same thing to consumer and to regulators: for example, how much of the prospectus you need to read and understand to say you've read the prospectus - Small changes in results year to year will not reflect a significant change in behavior because of our likely sample size [illegible] is voluntary	Survey participants will be new clients of IDA and MFDA members.	Currently believe we will outsource the survey collection and analysis to independent provider.

Data source	Data collection method	Data collection frequency	Disclosure of any limitations to the accuracy and reliability of the data	Data timeliness	Data controls
Measurement 2.1: Action in response to ongoing misconduct					
- Cases in our denominator come from case tracking system - Actions counting toward the measure are also recorded in our case tracking system	Collected manually based on internal reports	Collected quarterly	- Small data set - Measurement does not track all freeze orders or temporary orders issued in a given year	Measurement reflects cases referred for enforcement action in a fiscal year	Internal control environment
Measurement 2.2: Timely resolution of enforcement cases					
Time data comes from case tracking system, official documents, and management tracking sheet.	Closed cases drawn from management tracking sheet	Collected quarterly	- Single long cases can move the overall average - Cases put on hold for reasons outside of commission control can move the overall average	Measurement reflects cases closed by settlement or decision in a fiscal year	Internal control environment
Measurement 3.1: Complaints and tips received from InvestRight programs					
Information comes from our web statistics, case tracking system, and our internal call tracking systems.	To be determined as we implement this measure	Collected quarterly	- Measurement relies on ability for our inquiries line to sort complaints and tips based on caller involvement with our education programs - Measurement depends on appropriate coding of enforcement leads coming from law enforcement agencies	Counts activity in the fiscal year.	Internal control environment

Data source	**Data collection method**	**Data collection frequency**	**Disclosure of any limitations to the accuracy and reliability of the data**	**Data timeliness**	**Data controls**
Measurement 3:2: Workshop participant application of investor education messages					
Data stored and analyzed electronically	Collected through paper and electronic surveys from investor education participants	Collected regularly	- Survey response rate may be low, making statistical significance hard to draw - May have sample bias as response is voluntary	Measurement reflects surveys completed during the reporting period	Internal control environment Third party may execute survey
Measurement 3.3: BCSC awareness					
Independent survey	Data drawn from independent report	Collected annually	- Small changes in results year to year may not reflect a significant change in behavior because of the error we accepted in selecting our sample size - May have sample bias as response is voluntary	Awareness assessed within the fiscal year.	Research methodology designed to analyze all responses.
Measurement 4.1: Scorecard for cost-effective regulation					
Internal evaluation based on staff and management judgment and project documents	Collected manually	Collected regularly	- Measurement relies on judgment of evaluators: Executive Director evaluates a new rule together with staff, brings to full-time commissioners for review before final score made - Small sample size	Measurement based on rules put into effect in BC or other major regulatory projects completed; work to complete the project may have been over a period of years	Discussion on logic for each measurement documented for review.

Data source	Data collection method	Data collection frequency	Disclosure of any limitations to the accuracy and reliability of the data	Data timeliness	Data controls
Measurement 4.2: Scorecard for approved project post-implementation					
Internal accounting systems, internal asset management systems, and internal evaluation based on staff and management judgment and documented results	Collected manually	Collected regularly	- Measurement relies on professional judgment - Small sample size	Measurement reflects projects scored in the fiscal year: work to complete the project may have been over a period of years	Internal control environment
Measurement 4.3: BCSC fee load for prime issuers and registrants relative to other jurisdictions					
Internal accounting systems and data from other regulators	Computer generated list of issuers and fees	Collected annually	- Other jurisdictions may not follow our requested methodology precisely, making the numbers hard to compare. - Measurement may not be possible in time for Annual Report given the size of the data request from other regulators.	Measurement reflects fees for active issuers at the end of the fiscal year.	Internal control environment

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9 SUMMIT
Kamloops Transit

BC Transit

2007/08 – 2009/10
SERVICE PLAN

Honourable Kevin Falcon
Minister of Transportation
and Minister Responsible for British Columbia Transit

This Service Plan presents the goals, strategies and plans that will guide BC Transit in the delivery of transit programs and services for the 2007/08 – 2009/10 fiscal years. This document describes the actions BC Transit will take - and the resources that will be required - to ensure that excellent public transportation services continue to be provided in an efficient and effective manner.

All indications point to continued growth in demand for transit in a number of communities across British Columbia. This increase is in large part the result of a strong economy, high fuel costs, and new transit partnerships with major employers and educational institutions. The next three years will see further adoption of transit-supportive strategies and increased demand for transit funding on the part of local governments. Public transit is now almost universally recognized as a fundamental component of community planning, and as a key tool in support of economic development, access to education, an effective healthcare system and a cleaner environment.

New capital funds announced by the federal government this past year will be made available to Canadian cities and regions to improve transportation infrastructure and environmental standards. Our capital program for the next three years includes over $170 million in replacement and expansion acquisitions and fuel cell bus funding. The program is in part dependent on successful applications to the various new federal funding programs. In addition, BC Transit expects to receive funds from the federal Transit-Secure program for risk-assessments and security planning.

With the further commitment of $9.5 million in provincial operating funds, over the 3 year plan period plus the provincial share of capital costs for purchase of additional buses, BC Transit will be working with local government partners in 18 communities to implement new or expanded services. With these new additional resources and with commitments from other levels of government, public agencies and major employers, BC Transit will have the ability to add 120,000 hours of service, a 7% lift, and put an additional 53 buses on the road.

The Board will continue its process of regular dialogue with local government and other partners. The annual transit workshop will be held at the fall 2007 UBCM convention, and the Board is planning tours to areas of B.C. to meet with municipal funding partners. BC Transit's workshop for our contract operating company and municipal staff representatives will again provide us with an opportunity to gather together to discuss best practices in service delivery, new technology and other aspects of the transit program.

The 2007/08 – 2009/10 BC Transit Service Plan was prepared under the Board's direction in accordance with the Budget Transparency and Accountability Act. The Board is accountable for the contents of the Plan, including the selection of performance measures and targets. The Plan is consistent with the provincial government's strategic priorities and Strategic Plan.

All significant assumptions, policy decisions, and identified risks, as of January 2007 have been considered in preparing the Plan. The performance targets in this Plan have been determined based on an assessment of BC Transit's operating environment, forecast conditions, risk assessment and past performance.

Gregory Slocombe
Chair, BC Transit Board of Directors

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Organizational Overview

BC Transit is the provincial Crown agency charged with coordinating the delivery of public transportation throughout British Columbia outside Greater Vancouver. In partnership with local government, the Corporation's mandate includes planning, funding, marketing, fleet management and contracting for the operation of transit services. According to the British Columbia Transit Act (Section 3.1) BC Transit is to:

> ***"... plan, acquire, construct or cause to be constructed public passenger transportation systems and rail systems that support regional growth strategies, official community plans, and the economic development of transit service areas", [and] "to provide for the maintenance and operation of those systems."***

The scope of BC Transit's program in 2007/08 is as follows:

- 54 local government partners, including health districts and the Victoria Regional Transit Commission
- contracts with more than 25 operating companies and 13 non-profit agencies
- 45.1 million passengers carried annually
- Over 1.5 million people served in B.C.
- 77 transit conventional, custom and paratransit systems
- fleet of 850 conventional and double-deck buses, minibuses and vans
- $186.6 million annual operating budget

Governance and Budget Development

The Corporation is governed by a seven-member Board of Directors appointed by the Province of British Columbia according to the BC Transit Act. The Act requires four of the Board members to be municipally- elected representatives. The Chair reports to a provincial cabinet minister. The Audit Committee is the only standing committee of the Board, and meets either as a Committee of the Whole or as the full Board in regular session.

With respect to budget development, estimates are approved by BC Transit's Board of Directors and forwarded to the Minister Responsible for review and presentation to Treasury Board. Local funding requirements are submitted for the endorsement of the Victoria Regional Transit Commission, other local government partners and approval by BC Transit's Board. Provincial funding is provided through the public transportation sub-vote of the Ministry of Transportation.

This Service Plan and the public transportation budget were tabled in the legislature on February 20, 2007. A more detailed discussion of BC Transit's programs and governance is also available in the BC Transit 2005/06 Annual Report, available on the Corporation's website at http://www.bctransit.com/corporate/pdf/20060614_ar_2006.pdf Actual results compared to financial and performance targets set out in this Service Plan are also detailed in BC Transit's Annual Report.

Strategic Context

Vision

In recognition of the pivotal role public transportation plays in sustaining vibrant, healthy communities, BC Transit's vision is for the:

Development of transit services, in partnership with each community, to provide essential mobility and travel choice for all residents, where costs of traffic congestion are reduced, air quality and associated health benefits enhanced, more compact and efficient urban development supported and costly new roadway construction deferred.

Mission

BC Transit's mission statement integrates the Corporation's purpose, products and client base:

To excel in the provision of safe, reliable, cost-efficient and market-focused public transportation systems that support the social, economic and environmental goals of the customers and communities served.

Values

BC Transit's core values, which guide the Corporation in how it conducts its business, are:

- A strong commitment to partnerships with local government and operating companies - and a commitment to the continued development of new community partners throughout the province
- Provinsion of transparent local decision-making on transit matters - including budgets, services and tariffs - in open sessions at regional districts, municipalities and the Victoria Regional Transit Commission
- A focus on the market to maximize service convenience and appeal
- Ensuring safety and security for customers, staff and the public
- Fostering innovation in planning, fleet procurement, service delivery, customer service and administration
- Utilizing sound financial practices, including a competitive procurement process to ensure the highest value is received for dollars spent
- Demonstrating environmental stewardship through responsible purchasing practices and facilities management - and through support for community, provincial, national and international efforts.

Issues, Opportunities and Risks

Serving an Accelerating Market

The record number of bus passengers carried this year - with ridership forecast to increase steadily throughout the Service Plan period - reflects a direct correlation between transit usage and a strong provincial economy. Year over year, from October 2005 to October 2006, B.C.'s labour force grew by 2.5%. At the same time the provincial unemployment rate dropped by 7% to one of the lowest rates in the country.

In the Victoria Regional Transit System annual ridership for 2006/07 is expected to be up by more than 6% compared to last year, and in the Municipal Systems Program increases of 3% are projected. Corporately, by 2009/10, ridership around the province on the expanded service approved for this year is projected to total 47.2 million, up from a level of 40.7 million last year. A variety of factors are contributing to accelerating demand. High fuel prices and the increased costs of auto ownership are compelling more and more people to use transit. Research conducted by TransLink in the spring of 2006 suggests that approximately 15% of its increase in riders is attributable to record gas prices.

Partnerships between BC Transit and educational institutions, major employers and health authorities are also stimulating higher bus usage. In particular, partnerships have been key in the development of the secondary and post-secondary markets. In five of the largest Municipal Systems post-secondary ridership now accounts for over one-fifth of total rides. Adding to this trend is the provincial government's announcement that it will create an additional 9,000 post-secondary spaces by 2010 in communities served by the Municipal Systems Program. The same pattern of strong transit usage by post-secondary students holds true for Victoria, with year-over-year student ridership growing by 11% and now accounting for more than 22% of total rides. Bus usage by students attending secondary schools has also increased rapidly.

Building Service Capacity to Meet Local Transportation Priorities

As a result of the market growth experienced in recent years, the issue of providing adequate capacity in the future has become more pressing for the transit program. Some of the larger urban centres served by BC Transit are launching specific initiatives in this regard. In the Victoria region, for example, the transit Commission has defined a service expansion strategy which includes higher-capacity and higher-speed bus rapid transit services in two key corridors. Operational costs are paid for by increases in taxation, fares and a portion of the expansion funds contributed by the province in 2007/08. The purchase of expansion vehicles will be funded from a combination of captial funds from the province and from 'New Deal' federal programs. Infrastructure funds from senior government will be used to implement major transit priority measures.

Expansion plans are also under development throughout the Municipal Systems Program in response to widespread requests for more service. In Kelowna, for example, population growth and transportation challenges have led to the development of long-range Smart Growth and Smart Transit plans. Initiatives include introduction of bus rapid transit on three major arteries linking the majority of town centres in the Central Okanagan region, and improved bus service to post-secondary institutions. Seventeen Municipal Systems including Kelowna, will receive provincial operating and capital funding for new service.

Public transit is a catalyst for a cleaner environment, a well-functioning health system, an educated and engaged workforce, and a strong economy. Increasingly urban centres of all sizes are placing a priority on improving public transit as a means of insuring the smooth and efficient functioning of their transportation networks.

Advancing Transit Technologies to Improve Air Quality

The Corporation will continue to advance the assessment and adoption of alternative fuels and advanced vehicle technologies. BC Transit is actively exploring bio-diesel fuel; improved-efficiency engines; the business case for hybrid buses; and the development of hydrogen fuel cell buses.

The goal of the Corporation's fleet program is to improve resource utilization and reduce operating costs – and contribute to improved air quality and reduced greenhouse gas (GHG) emissions - by reducing the environmental impact of transit operations. According to the Canadian Urban Transit Association, the new standard clean diesel transit vehicle technologies available in 2007 produce 79 - 95% fewer emissions by class of pollutants than vehicles built a decade earlier.

In 2006 the provincial government demonstrated its commitment to the hydrogen highway with $10.0 million in funding for the initial development phase of the world's first fleet of hydrogen buses. BC Transit will lead the project team. This initial phase supports the development and acquisition of the pre-production vehicle(s), and associated fueling infrastructure leading to the delivery of up to 20 hydrogen fuel cell buses and supporting infrastructure by 2010. The province has now committed a further $45 million to fund the capital requirements of the full 20 vehicle fuel cell bus fleet program. The buses will be commissioned in Victoria, and then showcased in the Resort Municipality of Whistler during the 2010 Winter Olympic and Paralympic Games.

Addressing the Transit Infrastructure Deficit

In the next three years BC Transit will experience significant growth in capital costs, stemming largely from the need to replace aging transit vehicles, and to upgrade transit facilities. The Corporation is forecasting total capital expenditures of $135 million for projected transit service in the plan period.

Vehicle replacement costs form the largest single component of these expenditures. Conventional transit buses normally have approximately a 20-year life. BC Transit's capital plan provides almost $125 million for the purchase of over 260 replacement and expansion vehicles - split evenly between conventional and custom/paratransit vehicles – within the 2007/08-2009/10 period.

The capital plan also earmarks more than $10 million in funding for facilities, security improvements, technology initiatives to improve operational efficiency and customer convenience.

In conjunction with its partners BC Transit will persevere in its efforts to secure senior government funding for infrastructure projects in support of service expansion. There are currently a number of federal programs in place – the New Deal for Cities and Communities; the Municipal Rural Infrastructure Fund; the Public Transit Capital Trust Fund; and the Public Transit Agreement. To date the Corporation has received preliminary indications that up to $50 million in capital funding for expansion and innovation may be available to BC Transit and its local government partners over the plan period.

Financial Risks

Looking forward there are once again increased inflationary pressures as a result of a very strong provincial economy. Over the plan period more than one-third of the transit services in the Municipal Systems program –representing $39.1 million in expenditures this year - will be tendered, with competitive labour and business markets expected to create cost pressures. Although fuel costs remain the single largest risk element, there is potential for reduced volatility in fuel pricing over the plan period. (Risk factors are discussed further in the financial section beginning on page 8.)

Focusing on Security

In November 2006 the federal government announced a new two-year funding program to assist rail passenger and urban transit systems to enhance security measures and address potential terrorist threats. The initial round of Transit-Secure funding, which covers 75% of costs, was made available to Canada's six largest urban centres.

BC Transit is applying in the second round of the program for funding to carry out risk assessments and the development of security plans. In the meantime the Corporation is focusing on enhanced security at transit facilities, and is updating emergency response plans.

Preparing for Workforce Challenges

With unemployment at its lowest level in decades, employers across Canada are experiencing labour shortage issues throughout their organizations. Within the next five years 27% of BC Transit's present employees will become eligible for retirement. To address workforce challenges the Corporation is focusing on expanded recruitment techniques, targeted succession planning and employee development. Nationally, the trend towards expansion of human rights legislation to protect the employment of persons aged 65 and over is growing. In anticipation of new legislation, BC Transit plans to move forward with amendments to its own retirement policy and practices.

Corporate Goals, Objectives & Strategies

GOAL 1 – SERVICE DELIVERY

Maximize the efficient and cost effective use of resources in the provision of safe, innovative and customer-oriented services to meet present and evolving market demands.

1. OBJECTIVE: Deliver core services and target services to new and/or growing priority areas.

Strategy A. **Reallocate service from lower demand periods to areas of higher demand, and develop service and tariff strategies to promote increased market share.**

Targets: Continuous improvement in average rides/hour program-wide for conventional transit services: 34.8 rides/hour in Victoria and 25.5 rides/hour in Municipal Systems.

Maintain industry leadership in productivity level for custom transit service: 4.8 rides/hour in Municipal Systems and 2.8 rides/hour in Victoria.

2. OBJECTIVE: Improve service efficiency and effectiveness.

Strategy A. **Expand strategic purchasing initiatives to contain costs.**

Target: Hold unit operating cost increases to a rate that is in the best 25% category of the peer transit systems in Canada.

Strategy B. **Pursue new funding and implement operational efficiencies to offset anticipated cost increases, in order to maintain the projected service level through the term of the Plan.**

Target: Secure new funding and operational efficiencies to address forecast cost increases currently projected to be $7.5 million in Year 2 and $8.3 million in Year 3.

3. OBJECTIVE: Improve transit safety for passengers and reduce the costs of accidents.

Strategy A. **Reduce preventable accidents through ongoing training and improved performance feedback.**

Target: Victoria Regional Transit System: reduce preventable accidents below last three-year average in each year of the 2007/10 Service Plan period.

4. OBJECTIVE: Implement high priority service improvements.

Strategy A. **Pursue new community funding partnerships to implement enhanced service.**

Target: Expand partnership activities with Health Authorities, School Districts, employers, and flex funding contribution from local government to fund $9.1 million in new small town and rural and enhanced transit services in 2007/08.

GOAL 2 – COMMUNITY DEVELOPMENT

Plan and deliver transit services that meet local land-use and growth priorities, while furthering the development of safe, healthy communities and a sustainable environment.

1. OBJECTIVE: Identify and adopt new technologies to enhance customer service, improve air quality and reinforce transit's community benefits.

Strategy A. **Develop technical requirements and secure supplier arrangements to implement bio-diesel fueling for BC Transit's bus fleet.**

Target: Initialize bio-diesel purchase in 2 or more select systems in Year 1 and adopt a fuel plan to move to a bio-diesel standard throughout BC by Year 2.

Strategy B. **Commence work on a program that will see BC Transit acquire and place a fleet of hydrogen fuel cell buses into regular service.**

Targets: Select successful proponents from RFP process in 2006/07 to supply pre-production buses (1 or 2) as Phase 1 of the Hydrogen Fuel Cell Project. Advance project including steps to confirm federal government participation.

Select proponent and completion of Phase 1 and acquire remainder of fleet by end of Year 2.

2. OBJECTIVE: Support regional growth strategies, community planning initiatives and municipal empowerment.

Strategy A. Work with local governments in the development of strategic transportation initiatives that support local and regional growth strategies.

Target: Implement Kelowna and Victoria Regions' Bus Priority Projects (Phase 1 – funded in Victoria by a federal transit infrastructure program and in Kelowna from Transport Canada, the provincial Ministry of Transportation and the City of Kelowna). Secure funding for the next phases of these projects prior to the end the 2007/08 fiscal year.

Strategy B. Advance applications for capital funds for priority projects under the federal government's "New Deal for Cities and Communities" and other senior government programs while working with BC Transit funding partners to establish sustainable capital program funding.

Target: Submit applications for those specific projects in BC Transit's Long Term Capital Plan which are eligible for federal government funding and endorsed by the local government partner.

Strategy C. Broaden the awareness of public transit benefits through environmental education and climate change efforts.

Targets: Subject to funding, increase BC communities participating in Clean Air Day activities by 5% in Year 1.Build and deliver public transit and active transportation youth educational programs through partnership with 2010 Legacies Now.

Alignment with Government's Strategic Plan

BC Transit's programs and services directly support the priorities of the provincial government outlined in the February 2005 Throne Speech. The Five Great Goals, and BC Transit's activities in support of these, are as follows:

- **To make B.C. the best-educated, most literate jurisdiction on the continent.** The Corporation provides necessary access to all levels of education and to job training in more than 50 communities.
- **To lead the way in North America in healthy living and physical fitness.** By reducing reliance on automobile travel, and serving community and, sport and other outdoor facilities, BC Transit contributes to a more healthy and active lifestyle.
- **To build the best system of support in Canada for persons with disabilities, those with special needs, children at risk and seniors.** BC Transit's custom and paratransit programs, its Health Connections services, and its provision of increasingly accessible conventional services all provide essential access for seniors and people with mobility challenges to community activities, education, retraining and social and health services.
- **To lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.** BC Transit fosters improved environmental quality by reducing traffic congestion, promoting options to driving, supporting regional growth strategies and participating in the early adoption of new environmentally-friendly technologies.
- **To create more jobs per capita than anywhere else in Canada.** BC Transit provides essential mobility for the labour force and access to goods and services for consumers. It creates partnerships with employers, technology developers, and training institutions to support a healthy economy and a more effective transportation infrastructure.

Summary Financial Outlook

The following section provides high-level projections of revenues and expenditures, and a description of key forecast assumptions and risks.

2007/08 – 2009/10 Summary Financial Outlook

The three year forecast for all programs is presented in **Table 1** below. Actuals for 2005/06 are based on audited financial statements. Forecasts to 2009/10 are based on corporate financial forecasting models.

Table 1 BC Transit 2007/08-2009/10 Forecast

(Figures in thousands)	2005/06 Actual	2006/07 Forecast	2007/08 Budget	2008/09 Plan	2009/10 Plan
Income Statement:					
Revenue:					
Operating contributions from the Province[1]	52,055	49,641	52,029	53,836	53,944
Amortization of Deferred Capital Contribution (DCC)[2]	19,230	22,138	24,345	46,315	50,840
Amortization of Contributed Surplus	-	835	885	937	992
Local Taxation	32,948	40,767	44,497	48,188	52,769
Passenger & Advertising Revenue	47,366	51,304	57,959	59,815	60,564
Investment & other earnings[3]	1,748	3,801	6,933	9,101	10,017
	153,347	**168,486**	**186,648**	**218,192**	**229,126**
Expenditures:					
Salaries and benefits	42,454	43,322	47,686	49,773	50,768
Operating Costs	79,168	86,543	97,100	102,958	104,550
Capital asset amortization expense[2]	25,361	32,121	35,262	58,370	64,684
Debt service costs (net of sinking fund earnings)	6,486	6,500	6,600	7,091	9,124
	153,469	**168,486**	**186,648**	**218,192**	**229,126**
Net Income (Loss)	**(122)**	-	-	-	-
Replacement	21,413	14,308	18,275	30,980	30,980
Expansion		10,800	22,100	33,005	-
Fuel Cell Bus Project		-	3,200	6,300	35,500
Capital Expenditures	**21,413**	**25,108**	**43,575**	**70,285**	**66,480**
FTEs[4]	**609.0**	**646.0**	**685.0**	**685.0**	**685.0**

[1] *Includes funding commitment for Victoria collective agreement settlement including bonus incentive payments of $2.2 million in 2005/06.*

[2] *Includes projected change to straight-line amortization in 2008/09 (see discussion in following section regarding amortization funding and change in accounting policy).*

[3] *Includes supplemental provincial operating grants of $2.7 million in 2006/07 and $5.4 million in 2007/08. These additional funds come from sale of surplus assets and tax recoveries. Additional funding and/or operating efficiencies of $7.5 million in 2008/09 and $8.3 million in 2009/10 may be required should forecast inflation materialize in these years.*

[4] *Fiscal year end figure. Includes employees working on capital projects.*

Assumptions, Risk Factors and Sensitivities

Amortization Policy

BC Transit currently uses the sinking fund method to amortize its assets. The Corporation's external auditors have indicated that this method is not best practice in generally accepted accounting principles and that BC Transit should change to straight line amortization to improve compliance with GAAP. BC Transit will shift to straight line amortization effective April 1 2008. This change is reflected in BC Transit's corporate budget forecast in Table 1 above. Currently the unfunded component of amortization of prepaid capital advances is $22.9 million in 2008/09 and $24.7 million in 2009/10. Approximately three quarters of these amortization changes relate to Skytrain and West Coast Express infrastructure in Greater Vancouver.

Projected Service Level

The financial and performance projections to 2009/10 described in this Service Plan reflect implementation of 110,000 hours of expanded service in 2007/08 and annualizing these services in 2008/09 and continuation of this service through 2009/10. The budget assumes that local partners will continue to flex-fund at current levels.

Inflationary Factors

Key inflation factors reflect:

- Contracted services including fixed and variable hourly costs increase of 3.0% in 2007/08, and 2.6% in 2008/09 and 2009/10. Contract renewals through the RFP process include anticipated increases for fixed and variable hourly costs,
- Fuel costs averaging $1.04 per litre in 2007/08, with a 4% increase in 2008/09 and 2009/10 reflecting higher crude oil futures costs and refining margins.
- Maintenance costs reflect required running repairs for projected service levels and beginning in 2007/08, a two-year program to address high priority mechanical and body work repairs deferred from prior years.
- Collective agreements averaging 2.2% annual total compensation increase through 2009/10 in the Victoria Regional Transit System.
- Materials and services inflation averaging 2.5% per annum over the forecast period.

Risk Factors

Significant risks associated with the projections include:

- Contracted services represent a major risk. The RFP process in the Municipal Systems Program is subject to competitive bidding and local market factors. A total of 30 systems will be tendered in the next three years. Regional economic recovery has resulted in more competitive labour markets and cost increases may vary significantly from those assumed.
- The single largest forecast risk is fuel cost. The forecast for 2007/08 is projected at the current futures rates of $1.04/litre. However, the market is highly volatile and there is no consensus on the part of industry analysts regarding the direction of future prices.
- Expenditures for vehicle running repairs, major component overhauls and mid-life tune-ups are expected to continue to trend higher due to increasing technical complexity and age profile of the fleet.

Table 2 below summarizes the major external risk factors which may have an impact on the budget. A sensitivity analysis corresponding to unit cost increases/decreases is included.

Table 2 2007/08 Risk Factors and Sensitivities, Corporate Summary

Risk Factor (1% change)	Total Risk	Provincial Share*
Municipal Systems Contract Costs	$310,000	$143,500
Fuel	190,000	75,600
Running Repairs	114,500	40,300
Vehicle Parts Pricing	96,500	35,200
Currency Exchange	92,000	35,000
RFP Process	80,000	40,000
Benefits, BC Transit Staff	73,000	20,900
Other Factors	138,000	28,000

* Provincial Share of total risk varies by type and location of service.

Performance Measures

Performance measures used in this Service Plan are those universally adopted by the North American transit industry. Industry-wide standard indicators (defined in Appendix A) are used to track BC Transit's achievement of strategic goals. Ridership estimates are based on statistically valid counting methodologies used throughout the industry. The same information is used by Statistics Canada for its "Standard Industrial Classification" (SIC) reports.

Table 3 Corporate Performance Measures

	2005/06 Actual	2006/07 Target	2007/08 Projection	2008/09 Projection	2009/10 Projection
Service Hours (thousands)					
Victoria Regional Transit System (VRTS)	695	746	799	814	814
Municipal Systems Program	959	986	1,043	1,079	1,079
Total	1,654	1,732	1,842	1,893	1,893
Passengers (thousands)					
Victoria Regional Transit System	21,426	22,303	24,110	24,900	25,169
Municipal Systems Program	19,290	19,861	20,964	21,736	22,052
Total	40,716	42,164	45,074	46,636	47,221
Safety - Service Hours Between Preventable Accidents, VRTS *(thousands)*	43.5	43.6	43.7	43.8	44.0
Municipal Systems Annual Operating Agreements	63	69	73	73	73

It should be noted that in both the Victoria Regional Transit Commission and the Municipal Systems Program the local government partners are responsible for making tariff decisions. Therefore the forecasts in the following tables do not assume any change in revenue as a result of fare increases beyond those approved as of April 1, 2007.

Victoria Regional Transit System

The performance highlights reflected in **Table 4** below are as follows:

- On the conventional system total revenue passengers are forecast to increase 13.0% by 2009/10 compared to 2006/07 levels reflecting market growth and expanded service capacity. Productivity as measured by revenue passengers per hour is projected to increase moderately.

- Operating cost per hour for conventional transit is forecast to increase at rate above inflation in 2007/08 only due to the combined impact of higher fuel prices, required maintenance program support and employee compensation. In the following two years increases are projected to mirror inflation.

Table 4 Victoria Regional Transit System Performanc Measures - Conventional

	2005/06 Actual	2006/07 Target	2007/08 Projection	2008/09 Projection	2009/10 Projection
Service Effectiveness					
Service Hours *(thousands)*	584	632	681	694	694
Revenue Passengers *(thousands)*	21,055	21,900	23,700	24,480	24,742
Revenue Passengers / Hour	36.0	34.7	34.8	35.3	35.7
Rides / Capita	63.0	64.9	69.6	71.2	71.4
Cost Efficiency					
Operating Cost Recovery	52.6%	52.2%	56.3%	55.7%	55.3%
Operating Cost Per hour	$84.12	$84.10	$87.54	$88.68	$90.26
Operating Cost per Revenue Passenger	$2.33	$2.43	$2.52	$2.51	$2.53

Table 4 Victoria Regional Transit System Performanc Measures - Custom

	2005/06 Actual	2006/07 Target	2007/08 Projection	2008/09 Projection	2009/10 Projection
Service Effectiveness					
Service Hours (thousands)	111	114	118	120	120
Revenue Passengers -Total *(thousands)**	371	403	410	420	427
Revenue Passengers - handyDART *(thousands)*	296.8	320.0	330.0	337.0	342.0
Revenue Passengers / Hour - handyDART	2.7	2.8	2.8	2.8	2.9
Cost Efficiency					
Operating Cost Recovery - Total	6.4%	6.5%	6.1%	5.8%	5.7%
Operating Cost Per hour - handyDART	$47.69	$49.89	$51.34	$53.03	$55.08
Operating Cost per Revenue Passenger - Total	$14.99	$14.92	$15.54	$15.93	$16.26

** Total custom ridership includes Taxi Saver Program*

Municipal Systems Program

The performance highlights reflected in **Table 5** below are as follows:

- Revenue passengers on the conventional systems are forecast to increase 11.2% by 2009/10 compared to 2006/07 levels.
- Operating cost per hour for both the conventional and custom transit services in the Municipal Systems Program is forecast to increase significantly in 2007/08 due to the combined impact of increased costs in contracted services, higher fuel prices and required maintenance program support. The 2008/09 projection includes upcoming RFP's for contracted services and planned vehicle maintenance.

Table 5 Municipal Program Performance Measures - Conventional

	2005/06 Actual	2006/07 Target	2007/08 Projection	2008/09 Projection	2009/10 Projection
Service Effectiveness					
Service Hours *(thousands)*	713	717	761	789	789
Revenue Passengers *(thousands)*	17,916	18,372	19,382	20,112	20,426
Revenue Passengers / Hour	25.1	25.6	25.5	25.5	25.9
Rides / Capita	21.8	22.1	23.0	23.6	23.7
Cost Efficiency					
Operating Cost Recovery	36.9%	37.4%	34.3%	33.4%	33.5%
Operating Cost Per hour	$72.26	$74.90	$81.88	$84.94	$85.94
Operating Cost per Revenue Passenger	$2.87	$2.92	$3.21	$3.33	$3.32

Municipal Program Performance Measures - Custom

	2005/06 Actual	2006/07 Target	2007/08 Projection	2008/09 Projection	2009/10 Projection
Service Effectiveness					
Service Hours (thousands)	247	269	282	290	290
Revenue Passengers -Total *(thousands)**	1,374	1,489	1,582	1,624	1,626
Revenue Passengers - Van *(thousands)*	1,218.8	1,305.8	1,354.1	1,356.1	1,358.1
Revenue Passengers / Hour - Van	4.9	4.9	4.8	4.7	4.7
Cost Efficiency					
Operating Cost Recovery - Total	16.7%	16.0%	16.2%	15.8%	15.6%
Operating Cost Per hour - Van	$49.47	$51.37	$54.72	$56.63	$58.16
Operating Cost per Revenue Passenger - Total	$9.56	$9.97	$10.42	$10.76	$11.02

** Total custom ridership includes Taxi Saver Program*

Appendix A
Explanation of Statistics and Performance Measures Used

Statistics include operational outputs and transit service area statistics. These factors, when used in a ratio, indicate commonly compared industry standard performance measures.

Total service hours represent the total number of hours that the transit fleet is in regular passenger service.

Revenue passengers represent transit riders who have made one fare payment to use the transit service. (Passengers who use a transfer and board more than one bus to complete a trip are only counted once.)

Operating cost includes all transit expenditures with the exception of debt servicing.

Operating revenues include passenger and advertising revenue. It excludes property tax and fuel tax revenue.

Population is for the defined transit service area.

Performance measures are statistical ratios combining system outputs, and transit service area statistics to benchmark performance within the industry and operational trends over time.

Cost Recovery reflects annual operating revenue divided by total annual cost. This ratio indicates the proportion of operating costs recovered from operating revenue. Fares are established by the local partners. A strong cost recovery is desirable, as it reduces the subsidy from the taxpayer. Fares, however, are a municipal policy decision.

Operating cost per passenger reflects annual operating cost divided by annual passengers carried. This ratio indicates the efficiency of transit expenditures directed toward passengers carried. Consistent or decreasing cost per passenger indicates that ridership is growing faster than costs.

Operating cost per hour reflects annual operating cost divided by annual total service hours. The ratio also reflects efficiency. Increasing cost per hour indicates operating costs are increasing faster than service hours.

Rides per capita reflect annual passengers carried divided by regional population. This is a measure of market share and the effectiveness of services in attracting customers.

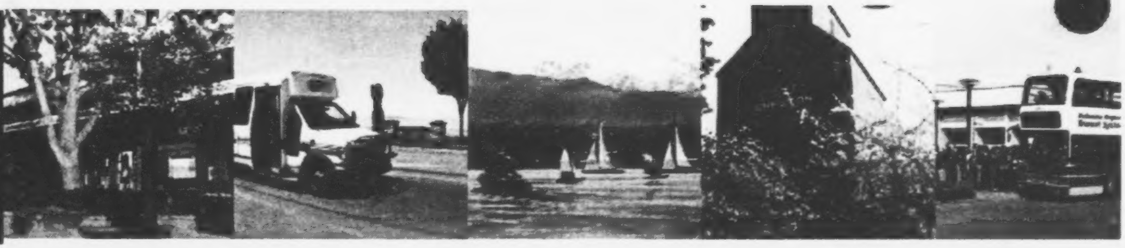
Passengers per hour reflect annual passengers divided by annual total service hours. This ratio is a primary measure of the effectiveness of the service provided. The ratio improves with lower average trip lengths, or higher average speeds.

Appendix B
List of Municipal Conventional Transit Systems by Tiers

	Custom	Paratransit	
Tier 1* Central Fraser Valley Kamloops Kelowna Regional Nanaimo Regional Prince George Whistler/Sea-to-Sky **Tier 2**** Campbell River Chilliwack Comox Valley Cowichan Valley Penticton Vernon Regional **Tier 3***** Cranbrook Dawson Creek Fort St. John Kitimat Kootenay Boundary Nelson Port Alberni Powell River Prince Rupert Squamish Sunshine Coast Terrace Regional	Alberni-Clayouquot Campbell River Central Fraser Valley Chilliwack Cranbrook Kamloops Kelowna Regional Kitimat Kootenay Boundary Nanaimo Regional Penticton Prince George Prince Rupert Vernon Regional	Agassiz-Harrison Bella Coola Boundary Castlegar Regional Clearwater & Area Columbia Valley Comox Valley Cowichan Valley Creston Valley Elk Valley Fort St. John Hazeltons' Regional Kaslo Kimberley Kootenay Lake West Nakusp Nelson & Area Nelson – Slocan Valley	North Okanagan Okanagan-Similkameen 100 Mile House & Area Osoyoos Pemberton Valley Port Edward Powell River Princeton & Area Quesnel Revelstoke Shuswap Skeena Regional Smithers & District Squamish Summerland Sunshine Coast Terrace Regional Williams Lake

*Tier 1: *population served 50,000+ and Whistler*
**Tier 2: *population served 25,000 - 50,000*
***Tier 3: *population served under 25,000*

BC Transit



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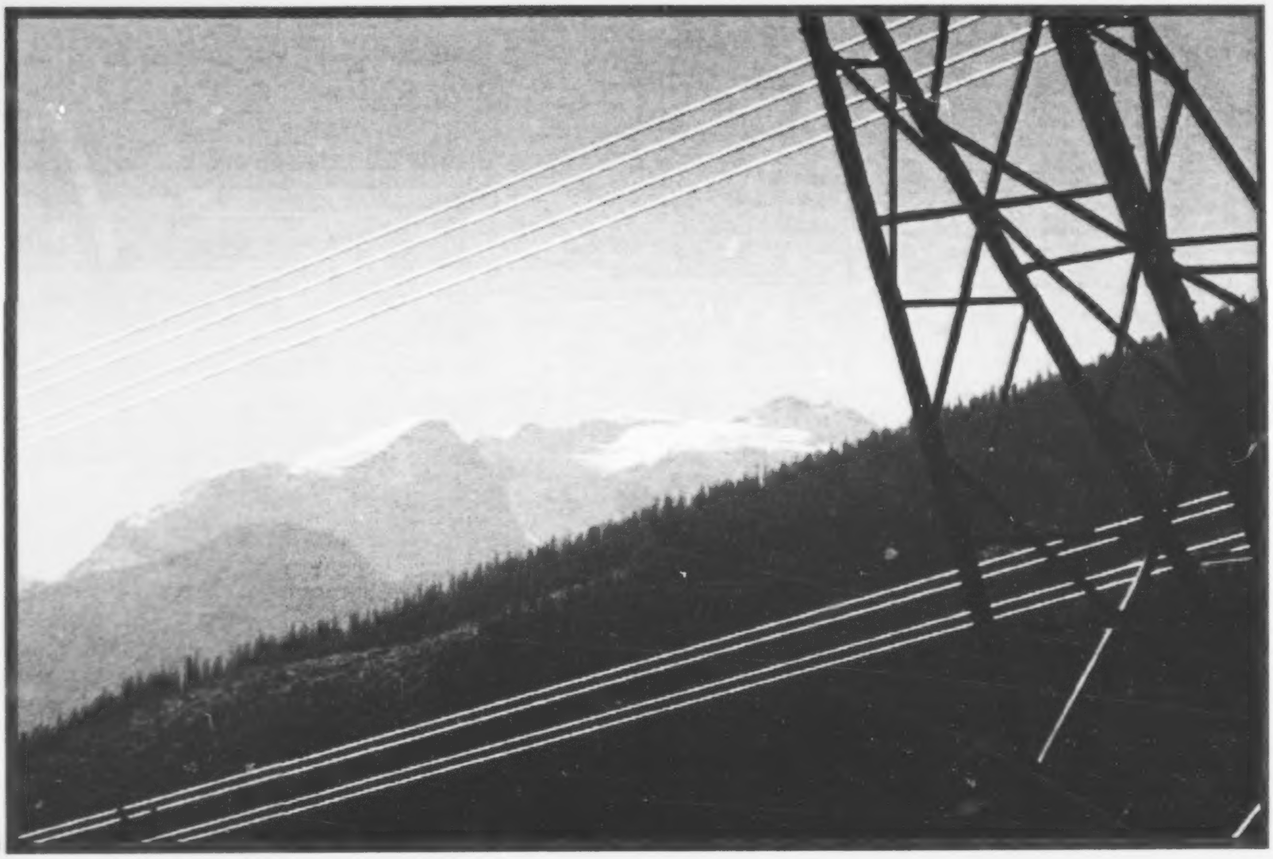
12



British Columbia Transmission
CORPORATION™

Service Plan

For Fiscal Years 2007/08 to 2009/10

January 2007

Message from Board Chair to Minister of Energy, Mines and Petroleum Resources

31 January 2007

On behalf of the Board of Directors, the management and employees of British Columbia Transmission Corporation (BCTC), I am pleased to present the Corporation's 2007/08 – 2009/10 Service Plan.

Under the *Transmission Corporation Act*, BCTC is responsible for planning, operating and managing British Columbia's high-voltage electric transmission system. BCTC is a Government-owned Crown corporation, regulated by the BC Utilities Commission (BCUC). The Minister of Energy, Mines and Petroleum Resources is the Minister Responsible for BCTC.

BCTC began operations as an independent transmission company in August 2003 in response to the Government's *Energy for our Future: A Plan for BC*. BCTC is responsible for operating, maintaining and planning for the growth of our province's electric transmission system, providing customers with open and non-discriminatory access to reliable, low-cost electricity, expanding the contribution of the electricity industry to BC's economy, encouraging private investment in generation and facilitating access to the western North American wholesale electricity market for the benefit of electricity consumers and producers.

Since inception, BCTC has achieved significant milestones and advanced its mandate by improving transmission service reliability, reducing costs, establishing strong relationships with stakeholders and First Nations, and creating an organization with highly qualified and talented individuals. During Fiscal 2006/07, BCTC achieved a series of important goals, including:

- Conducted 79 interconnection studies for Independent Power Producers in 2006, a five-fold increase from the 14 studies conducted in 2005. This will result in the production of more "BC Clean" power.
- Received BCUC approval for the Vancouver Island Transmission Reinforcement Project, ensuring that the residents of Vancouver Island will continue to be served with reliable electric power.
- Placed into service four new substations with a total cost in excess of $80 million, improving the reliability of electricity service in Fort St. John, Maple Ridge, Whistler and Surrey.
- Signed a new agreement with Bonneville Power Administration (BPA) that enhances interconnection operations between BCTC and BPA and facilitates collaboration on long-term system planning issues to open markets for BC produced power.
- Reduced system operating costs by automating the inspection of transmission equipment. New technology monitors and reports on the condition of transmission assets, saving the cost of physical inspection of assets.
- Initiated BCTC's Aboriginal Business Development Program to increase employment and business opportunities for aboriginal peoples.
- Continued to develop BC's "Future Grid." Through the use of advanced technology, the maximum operating capacity of existing transmission assets will be increased, reducing costs.
- Improved customer service to Independent Power Producers.

New opportunities and challenges abound in the coming year. The delivery of electricity from producers to customers is a critical link in the continuing growth of British Columbia's economy. To ensure the continued reliability of electricity supply and enhance power generation and trade opportunities for British Columbia, BCTC has embarked on a major capital construction program. This program involves significant investment in British Columbia's electric transmission system, including enhancements to existing infrastructure and the construction of new assets. Along with opportunities, the program will also bring challenges relating to the siting of new infrastructure. Throughout the program, we will continue to engage our stakeholders and local communities on these issues through open and transparent planning and consultation processes.

We are proud of our accomplishments and excited about the opportunities that BCTC continues to create for our customers, our Shareholder, our economy and our employees. We look forward to making significant progress on our strategic initiatives in the coming year, implementing the recommendations of the Government's renewed Energy Plan and working with our stakeholders to plan and build for British Columbia's future.

This 2007/08 - 2009/10 Service Plan for BCTC was prepared under my direction and in accordance with the *Budget Transparency and Accountability Act*. On behalf of the Board, I am accountable for the contents of the plan including the selection of performance measures and targets. The plan is consistent with the Government's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions, and identified risks, as of 31 January 2007, have been considered in preparing the plan. The performance targets within the plan have been determined based on an assessment of BCTC's operating environment, forecast conditions, risk assessment and past performance. On behalf of the Board, I am accountable for ensuring BCTC achieves its specific objectives identified in the plan and for measuring and reporting actual performance.

R.T.F (Bob) Reid
Chair of the Board
British Columbia Transmission Corporation

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Organizational Overview

British Columbia Transmission Corporation's mandate is to provide independent, open and non-discriminatory access to BC's electric transmission system, to facilitate private generation investment in BC and to maintain physical and commercial access to the Western North American wholesale electricity market.

Formed in 2003, BCTC is a Crown corporation created under the Business Corporations Act in response to the BC Government's 2002 Energy Plan. BCTC has powers and functions specified in the *Transmission Corporation Act,* which came into force in July 2003, and Key Agreements with BC Hydro designated by Order-in-Council in November 2003. The Minister of Energy, Mines and Petroleum Resources is the Minister Responsible for BCTC and BCTC is governed by a Board of Directors appointed by its Shareholder, the Province of British Columbia.

BCTC is responsible for transmission system operations, planning, asset management and maintenance, including system expansion and asset replacement. The transmission system assets continue to be owned and financed by BC Hydro. BCTC owns the control centre assets required for operating and controlling the transmission system.

A Shareholder's Letter of Expectations between the Minister of Energy, Mines and Petroleum Resources and BCTC's Board Chair sets out the corporate mandate, high level performance expectations, strategic priorities and the respective roles and responsibilities of the Shareholder and BCTC.

BCTC is regulated by the British Columbia Utilities Commission (BCUC), which approves the Corporation's revenue requirement, rates, tariffs and capital plan following open, public processes.

The transmission system receives power from approximately 60 generating stations across BC and through interties and delivers it through approximately 18,300 kilometers of transmission lines to 390 delivery points throughout the province. BCTC's primary roles, responsibilities and services include:

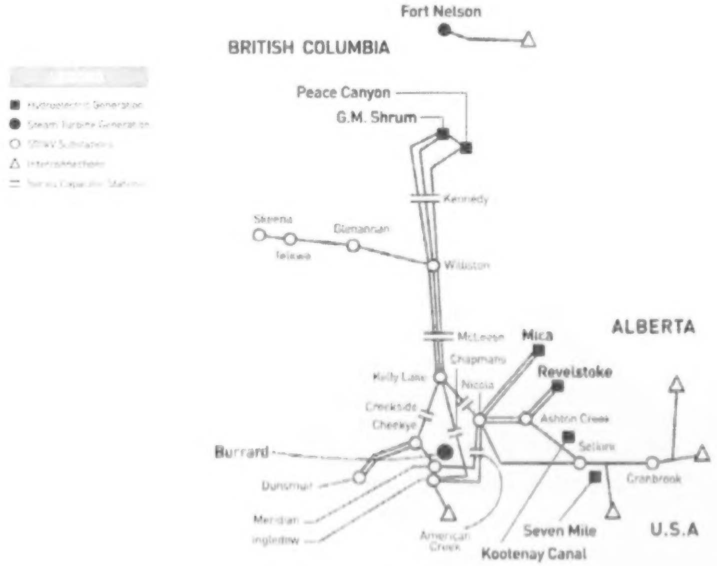
- Exclusive authority for electric transmission reliability of BC Hydro's transmission assets;
- Operation of the transmission system owned by BC Hydro, including real-time operation of transmission, generation, distribution and telecommunications systems, and transaction scheduling;
- Provision of services under the Open Access Transmission Tariff (OATT), including all aspects of the regulatory process, tariff administration and customer relations. The OATT defines the rates and terms and conditions of transmission service and interconnection to the transmission system;
- Planning of the transmission system in coordination with BC generation and distribution entities and neighbouring control areas and transmission organizations;
- Asset management and maintenance of transmission lines, substations and telecommunications systems owned by BC Hydro, as well as BCTC's control centres. The maintenance plan involves the execution of over 25,000 work orders per year, with an annual expenditure of approximately $80 million;
- Sustaining, replacing and expanding the transmission assets owned by BC Hydro and BCTC's control centre assets, to ensure reliable service for domestic customers and for electricity trade. As the transmission asset owner, BC Hydro finances transmission capital expenditures as identified by BCTC, following BCUC approval. As owner of the control centre assets, BCTC funds capital expenditures on these assets, subject to BCUC approval. At 30

September 2006, the net book value of transmission assets owned by BC Hydro was $2,301 million and the net book value of BCTC's capital assets was $41.7 million; and

- Actions to assist in maintaining low electricity rates in British Columbia, including the cost-effective management of all BCTC functions.

BCTC conducts business operations from its head office in Vancouver, the System Control Centre in Burnaby, four Area Control Centres in Vancouver, Duncan, Prince George and Vernon, and the Telecommunications Control Centre in Burnaby. In addition to the 18,300 circuit kilometers of high voltage transmission lines that range from 60kV to 500kV, BCTC operates and manages an extensive network of facilities that includes 290 stations and 90 microwave stations and microwave repeater sites. BC's integrated transmission network covers much of the province's land mass and interconnects with neighboring transmission systems in Alberta and the United States.

British Columbia's Transmission System

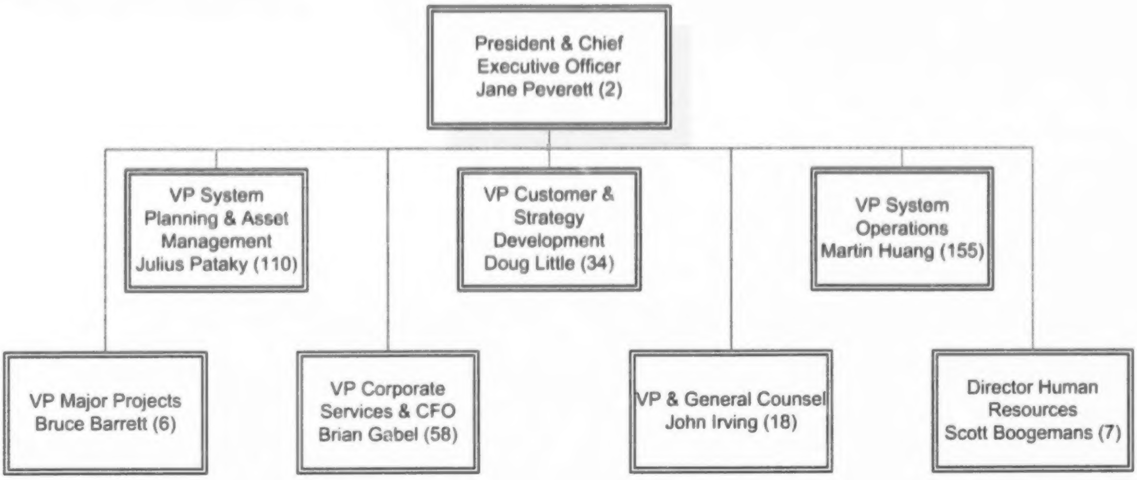

Fort Nelson
BRITISH COLUMBIA
Peace Canyon
G.M. Shrum
Kennedy
Skeena
Glenannan
Telkwa
Williston
McLeese
Mica
ALBERTA
Chapmans
Revelstoke
Kelly Lake
Nicola
Creekside
Cheekye
Ashton Creek
Selkirk
Burrard
Cranbrook
Dunsmuir
Meridian
Ingledow
American Creek
Seven Mile
Kootenay Canal
U.S.A

BCTC's largest transmission services customer is BC Hydro, serving the majority of domestic electricity customers in British Columbia. Point-to-point wholesale transmission services are provided to BC Hydro, Powerex and a number of energy marketers who undertake electricity trade in Western North America. BCTC also provides services to BC Hydro to operate its distribution system and dispatch its generating units. Total transmission revenues collected by BCTC from tariff services, non-tariff services and other cost recoveries exceed $700 million per year, and recover BCTC's own operating and asset-related costs as well as approximately $500 million for BC Hydro's asset ownership costs and allowed return.

BCTC's principal stakeholders are its transmission service customers, including BC Hydro and other utilities, independent power producers (IPPs), industrial customers directly connected to the transmission system, as well as municipalities, community and environmental groups, the BCUC and the Shareholder. BCTC has an active engagement process to ensure stakeholder and First Nations views are considered throughout the planning and execution of projects and regulatory applications.

The creation of an independent transmission company promotes a broad range of economic opportunities. Independent and open access transmission service enables generating, trading and market arrangements to be developed by all market participants, including IPPs, aggregators, large industrial customers and others.

BCTC's corporate structure and planned Fiscal 2007/08 employee headcount or complement of full-time employees (FTEs) are shown below:


President & Chief Executive Officer Jane Peverett (2)
VP System Planning & Asset Management Julius Pataky (110)
VP Customer & Strategy Development Doug Little (34)
VP System Operations Martin Huang (155)
VP Major Projects Bruce Barrett (6)
VP Corporate Services & CFO Brian Gabel (58)
VP & General Counsel John Irving (18)
Director Human Resources Scott Boogemans (7)

A large portion of BCTC's operating and capital activities are performed by third parties under contract to BCTC. Major contractors include BC Hydro Field Operations (approximately $80 million per annum), BC Hydro Engineering (approximately $50 million per annum) and Accenture Business Services for Utilities (approximately $7 million per annum).

Corporate Governance

BCTC's Board of Directors is responsible for the governance and stewardship of the Corporation. The Board's role is to set and maintain corporate direction, review and approve BCTC's strategic plan, set corporate objectives, monitor performance against those objectives and ensure processes are in place to identify, monitor and mitigate substantial business risks. The Board is responsible for full and timely disclosure of BCTC's financial and business performance, and the monitoring of material developments that could have a significant impact.

BCTC's Board has three Standing Committees: the Audit Committee (AC), Human Resources, Safety & Environment Committee (HRSEC) and Corporate Governance Committee (CGC). Terms of reference outlining respective roles and responsibilities for the Board, individual Directors, Board Committees, Board Chair, President and Corporate Secretary are available at http://www.bctc.com/about_bctc/board_executive/corp_governance/. Biographical information for Board members and BCTC's senior management team is available at http://www.bctc.com/about_bctc/board_executive/board_of_directors/.

Composition of BCTC's Board, its Committees and the organization's executive team follows:

Board & Committees

- Robert Reid, Board Chair *
- Nicole Byres (CGC Chair)
- Richard Campbell (CGC)
- John Gill (AC Chair)
- Norm Laythorpe (AC)
- Joanne McLeod (AC)
- Margot Northey (HRSEC)
- Bev Park (HRSEC)
- Gerald Wesley (CGC)
- Ralph Winter (HRSEC, Chair)

Executive Management

- Jane Peverett, President & CEO
- Bruce Barrett, VP, Major Projects
- Scott Boogemans, Director, Human Resources
- Brian Gabel, VP, Finance & CFO
- Martin Huang, VP, System Operations
- John Irving, VP & General Counsel
- Doug Little, VP, Customer & Strategy Development
- Julius Pataky, VP, System Planning & Asset Management

** The Board Chair serves as an officer of the Corporation, and as an ex-officio member of all standing Committees.*

Governance Practices

In 2005, the British Columbia Board Resourcing & Development Office established *Governance and Disclosure Guidelines for Governing Boards of British Columbia Public Sector Organizations*. These Guidelines set out governance principles and disclosure practices for public sector organizations in BC. The Board has ensured BCTC's governance framework complies with the principles set forth in the Guidelines.

In 2003, the Board established an internal governance framework consisting of guiding corporate principles and business policies. The guiding principles reflect BCTC's corporate values of *Honesty & Integrity*, *Innovation*, *Openness & Responsiveness*, *Accountability* and *Sustainability*. BCTC has in place a Code of Ethics for employees and directors, and carries out annual declaration processes to ensure employees and directors are in compliance. Results of the declaration process, and matters relating to the Code of Ethics generally, are reported to the Corporate Governance Committee of the Board. No waivers were granted under BCTC's Code of Ethics during Fiscal 2005/06. A copy of BCTC's Code of Ethics is available at http://www.bctc.com/about_bctc/board_executive/corp_governance/ .

Board members take part in regular orientation and strategy sessions, and engage in an annual evaluation of Board, Committee and individual Director performance. In consultation with the Human Resources, Environment & Safety Committee, the Board evaluates corporate performance and the President's individual performance against the objectives established at the beginning of each fiscal year.

The Board and its Committees create annual work plans to track ongoing Shareholder reporting requirements, and throughout the year, the Board Chair and President engage and inform the Minister of Energy, Mines & Petroleum Resources on key developments impacting the Corporation. Board and Committee meetings are held quarterly and as required for special business, and include in-camera sessions without Management present. A summary of Board member attendance records for Fiscal 2005/06 is available at the Governance section in BCTC's 2006 Annual Report at http://www.bctc.com/about_bctc/reports_performance/.

Alignment with Government's Strategic Plan, Energy Plan and Shareholder's Letter of Expectations

BCTC's Service Plan is guided by the Provincial Government's Strategic Plan, Energy Plan and Shareholder's Letter of Expectations.

Government's Strategic Plan

BCTC directly supports two of the Five Great Goals outlined in the Government's February 2006 Strategic Plan. The goals are as follows:

- To make BC the best educated, most literate jurisdiction on the continent.
- To lead the way in North America in healthy living and physical fitness.
- To build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors.
- **To lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.**
- **To create more jobs per capita than anywhere else in Canada.**

BCTC's operations can have a significant impact on BC's land base and resources. For this reason, transmission system operations and asset management functions are conducted with respect for the environment and long-term sustainability of BC's natural resources and communities. BCTC's Environmental Management System provides a comprehensive framework for identifying, managing and mitigating environmental risks. Continuing initiatives include risk management of contaminated sites, reduction of sulphur hexafluoride (a greenhouse gas used in power switching equipment) and management of plant and animal species at risk that are affected by BCTC operations.

BCTC's operation, maintenance and management of the transmission system is focused on delivering reliable service in a cost effective, safe and sustainable manner. In this way, BCTC contributes to a secure, reliable and low cost supply of electricity in the province which, in turn, provides a strong foundation for economic development in the province, attracting investment and creating jobs.

Energy Plan

BCTC plays a major role in facilitating a robust electricity industry, which is essential to economic development in BC, and in maintaining a competitive advantage in the production of goods and services. BCTC's goals are strongly aligned with the Province's 2002 Energy Plan. The creation of BCTC advanced an important Energy Plan commitment to improve transmission access and planning, and to provide a more focused approach to the operation and management of BC's publicly-owned electric transmission assets.

A key commitment of the Energy Plan is to encourage increased private sector participation in meeting British Columbia's growing electricity needs. BCTC has a central role in facilitating the interconnection of new generation facilities developed by the private sector and conducted 79 interconnection studies for Independent Power Producers in calendar year 2006, compared with 14 in 2005 and 20 in 2004. BCTC's proposals for new rate designs, "open season[1]" and "clustering[2]" processes and new approaches to generator interconnection, approved by the

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[1] "Open Season" allows BCTC to aggregate customer requests and solicit new requests to form a customer base large enough to support the financing of new transmission assets of the aggregated group.

[2] "Clustering" allows BCTC to simultaneously study all interconnection requests received during a 180-day period to identify potential cost savings and operating benefits associated with grouping all of the requests into a single study.

BCUC as part of the Open Access Transmission Tariff, will enhance the ability of the independent power sector to contribute to the Province's electricity needs in a cost-effective way.

In November 2005, the Government announced plans to expand the Province's 2002 energy vision. An updated Energy Plan is expected in early 2007. BCTC will adjust its strategies to implement the new Energy Plan as required.

Shareholder's Letter of Expectations

The June 28, 2006 Shareholder's Letter of Expectations describes the respective roles and responsibilities of the Shareholder and BCTC and serves as the basis of agreement on BCTC's mandate, high-level performance expectations, public policy issues and strategic priorities. The Shareholder's Letter is available at http://www.bctc.com/about_bctc/reports_performance/ .

Following is a summary of BCTC's significant responsibilities as presented in the Letter and BCTC's actions.

Shareholder's Direction	BCTC's Actions
Ensure that there is adequate transmission capacity available to reliably serve domestic and electricity trade needs, and that all eligible electricity suppliers and buyers have non-discriminatory access to this capacity, subject to approval by the BC Utilities Commission.	▪ Negotiated a settlement with customers and other stakeholders to amend the transmission service (Network Economy) tariff. ▪ Received BCUC approval for the replacement transmission line to Vancouver Island. ▪ Plans to invest $145 million in the transmission system in F2006/07.
Implement actions necessary to maintain low electricity rates in British Columbia.	▪ Steadily improved corporate cost effectiveness since 2004.
Establish and implement corporate strategies, policies, programs, plans and financial outcomes that are consistent with the Shareholder's general direction and principles of efficiency, effectiveness, consumer choice and customer service.	▪ Implemented customer service plans throughout F2006/07.
Develop and implement strategies to manage risks identified in the Service Plan.	▪ As part of the implementation of BCTC's enterprise risk management program, completed the substation security risk assessment project in September.
Implement open access transmission tariffs (OATT) that promote private sector electricity supply opportunities.	▪ Implemented a standard generator connection tariff in March which provides generators with an improved process for interconnecting to the transmission system.
Implement wholesale transmission rates that promote maximum use of the grid.	▪ Explored new rate design alternatives and delivered a report on these alternatives to the BCUC in December.

Shareholder's Direction	BCTC's Actions
Continue to work with neighbouring transmission companies to enhance trade opportunities and ensure continued access to markets for BC-produced electricity.	▪ Established a new service, "Dynamic Scheduling" to increase electricity trade with California. ▪ Initiated a bi-provincial study of intertie expansion with Alberta.
Continue to utilize public planning processes with BCTC's stakeholders to promote openness and transparency in overall planning objectives.	▪ Held over 60 consultations over the past twelve months and attended numerous business, Government and association meetings to discuss capital plans.
Fully participate in various regulatory processes under the direction of the BCUC related to planning and capital projects by both BCTC and BC Hydro	▪ Filed our F2008/F2017 Transmission System Capital Plan for BCUC approval in December. ▪ Participated in BC Hydro's 2006 Integrated Electricity Plan by providing input data and participating in the BCUC hearing.
Advise and consult with the Shareholder in advance of any anticipated or desired BCTC initiatives that could have public policy implications.	▪ Worked with the Shareholder regarding ways to address the North America-wide initiative to have consistent mandatory transmission reliability standards ▪ Advised the Shareholder on the potential Northwest Transmission Line (north of Meziadin Junction).
Continue to enhance access to markets for BC produced electricity.	▪ Signed agreement with Bonneville Power Administration to enhance operations and system planning. ▪ Participated in Pacific Gas & Electric's study of expanded transmission between British Columbia and California. ▪ Jointly studied intertie expansion with the Alberta Electric System Operator.

Planning Context and Key Strategic Issues

This section describes BCTC's mission, vision, values, planning context and key strategic issues as articulated in the corporate strategy developed by executive management and the Board of Directors. The corporate strategy reflects a number of business drivers fundamental to the role of BCTC and identifies risks that could affect performance.

Mission

BCTC's mission describes our business purpose, the business we are in and how we serve and provide value to customers and stakeholders.

"We are BC's independent electric transmission company, ensuring fair and open access to the grid and creating value and new opportunities for our customers and stakeholders by providing safe, reliable and cost-effective transmission services."

Vision

Our vision describes the future to which we aspire.

"As an independent electric transmission company, we are globally recognized for our innovative and sustainable approach to serving our customers."

Values

In pursuing its activities, BCTC's corporate and individual behaviors are guided by the values of honesty and integrity, innovation, openness and responsiveness, accountability, and sustainability.

Honesty and Integrity: We say what we mean; we do what we say; we treat all parties fairly and with respect.

Innovation: We continuously seek ways to improve; we value creativity; we set high performance objectives; we understand and effectively manage risk.

Openness and Responsiveness: We share information proactively; we seek and respond to feedback; we invest in understanding the needs of our customers and stakeholders.

Accountability: We take responsibility for our actions; we encourage diverse opinions and support decisions once made; we set clear objectives and accept responsibility for their achievement; we pursue opportunities to increase our individual knowledge of our business.

Sustainability: We manage the business with both today and tomorrow in mind; we employ the best people, respecting their diverse skills, experience and background, and invest in their future with us; we respect the natural environment; we work safely; we encourage balance among home life, work and community involvement.

Employee demonstration of corporate values is an important aspect of the annual performance review process. An employee's overall performance assessment takes account of achievement of objectives and demonstration of corporate values.

Planning Context

As part of its strategic planning process, BCTC produces a situation analysis that examines the current economic, social and political environment and BCTC's internal environment, including employee engagement and capabilities. The situation analysis is reviewed by executive management and the Board of Directors. It provides background and context for the corporate strategic plan.

BCTC has in place an enterprise risk management framework to ensure the ongoing identification, assessment, monitoring and mitigation of key business risks. BCTC's enterprise risk management efforts are overseen by a corporate Risk Management Committee that reports to executive management and the Audit Committee of the Board.

Key Strategic Issues

BCTC's situation analysis sets the stage for a review of strategic issues as described below. The review of strategic issues supports BCTC's development of corporate goals, objectives, initiatives, and performance measures and targets.

Energy Plan Renewal

In November 2005, the BC Government announced its intention to update and renew its 2002 Energy Plan. While the new Energy Plan has yet to be released, in the February 2006 Throne Speech, Government signaled that a core element is expected to be a return of British Columbia to electricity self-sufficiency. BCTC will work actively with Government and stakeholders to execute the provisions of the new Energy Plan and ensure the goals arising from the new Energy Plan are achieved.

Market Access

BCTC's strategic direction approved by the Board in late 2005 called for BCTC, through actions and policies, to improve access for BC-produced electricity to out-of-province markets. Over the course of this year, management has taken numerous steps to do this.

The majority of BCTC's transmission system investments will continue to be guided by our Open Access Transmission Tariff. The OATT allows any customer to initiate upgrades needed for service, provided the customer pays for the new investment. The BCTC Transmission Expansion Policy enables the assessment and recommendation of transmission system expansion projects that are not fully supported by current customer contracts, provided such projects are expected to recover costs and provide benefits to BC's ratepayers over the longer term.

During 2006, work on Grid West concluded without success. However, the objectives of establishing Grid West, namely, enhancing access to the regional transmission system, including the removal of tariff and non-tariff barriers to trade and improving inter-regional planning, remain central to BCTC's strategy. BCTC will now pursue further initiatives by working directly with other utilities in the region. In pursuit of these objectives and consistent with the principles of the April 2006 Trade, Investment and Labour Mobility Agreement between British Columbia and Alberta, BCTC has joined the Alberta Electric System Operator (AESO) in a joint study of the feasibility of expanding the transmission intertie connecting Alberta and British Columbia. BCTC is also participating in Pacific Gas & Electric's study of expanded transmission between British Columbia and California.

Ensuring Organizational Capacity

Similar to other organizations in the electric utility industry, BCTC is at risk of losing critical skills due to our aging workforce. The highest vulnerabilities are in engineering and system operations. These are special technical skills requiring several years of experience to acquire basic proficiency and additional years to gain senior technical and management expertise.

BCTC must ensure it has sufficient capacity to execute its mandate now and into the future. To achieve this objective, BCTC has adopted a four-part strategy:

- **Plan** – Monitor current and anticipated workloads and ensure resources are available to meet objectives.
- **Source** – Expand the pool of available resources and increase our effectiveness in bringing new highly skilled people into the organization.
- **Develop** – Actively support employee efforts to improve skills and knowledge, and provide individual growth opportunities.
- **Engage** – Build and engage workforce by supporting alignment, capability, resources, and motivation.

First Nations Strategy

Under the Key Agreements in place between BCTC and BC Hydro, BC Hydro has the primary responsibility for First Nations matters, including responsibility for First Nations policies and general interfaces with First Nations relating to the transmission system. The First Nations Protocol Agreement between BC Hydro and BCTC gives BCTC responsibility for day-to-day communications and information sharing between BCTC and First Nations during the course of BCTC's operations or planning preparations and implementation.

BCTC continues to develop important initiatives within its scope under the First Nations Protocol Agreement. In 2006, BCTC implemented an Aboriginal Business Development Program and Policy to increase employment and business opportunities. In F2006/07, we are commencing a measurement of First Nations' satisfaction with their relationship with BCTC.

Increases in Capital Investments

Years of relatively low investment in transmission infrastructure, coupled with the fact that some transmission components are now reaching the end of their useful lives and BC's demand for electricity continues to grow, mean that BC now faces significant increases in the scale of transmission investment requirements. BCTC is responsible for the execution of this large capital program, which will result in the largest capital expansion of the transmission system in 30 years.

Major projects currently underway include the Vancouver Island Transmission Project and the System Control Centre Modernization Project. Significant projects under preliminary analysis include the Interior to Lower Mainland Reinforcement Project and the Northwest Transmission Project. In recognition of the increase in capital investments, BCTC created a Major Projects Division in F2006/07 dedicated to managing its largest capital investments.

Goals, Objectives, Strategies, Performance Measures, Targets and Benchmarks

BCTC's corporate goals articulate the direction that the Corporation will take over a three-year planning horizon. BCTC has set its overall plan to support the Government's 2002 Energy Plan *"Energy for Our Future: a Plan for BC."* The corporate goals are supported by a set of corresponding actions, performance measures and targets. Definitions and the rationale for each performance measure are provided, as well as internal/external benchmarking measures that will allow a comparison of performance over time. The measures track BCTC's progress in delivering on its key priorities and will be reported in its annual report.

Key Changes from Previous Service Plans

BCTC's goals are unchanged from the F2006/07 – 2008/09 Service Plan. The strategies associated with the goals and performance targets have been updated.

The following table outlines BCTC's performance measures for Fiscal 2007/08. As noted in BCTC's 2006 Annual Report, the measures first reported in last year's Service Plan for F2006/07 were further refined, approved by the Board of Directors in May 2006, and remain in effect for F2007/08. Following is a summary of the F2007/08 performance measures and changes from last year's Service Plan.

F2007/08 Measure	Explanation
Reliability: BCTC SAIDI	Unchanged from the F2006/07-2008/09 Service Plan.
Efficiency: OMA/GWh-km (cents)	Unchanged from the F2006/07-2008/09 Service Plan.
Safety: Lost time safety accidents (BCTC and contractors)	BCTC will measure the number of incidents that result in lost time for BCTC employees and for its contractors. It will include direct contractors to BCTC and BC Hydro Field Operations personnel who conduct work on BCTC transmission projects including, for the first time in Fiscal 2007/08, BC Hydro's subcontractors. The two safety measures are consolidated into a single measure with two parts.
Environment: Reportable environmental incidents	Unchanged from the F2006/07-2008/09 Service Plan.
Customer Satisfaction: Stakeholder Response – neutral, positive, very positive	Unchanged from the F2006/07-2008/09 Service Plan.
Employee Engagement: Employee Engagement Index	Unchanged from the F2006/07-2008/09 Service Plan.
Congestion	In the F2006/07-2008/09 Service Plan, BCTC proposed adding a measure for Congestion. This measure was intended to reflect BCTC's capability to operate the transmission system in a manner that provided more transmission capacity for customers when they need it most. In May 2006, the Board of Directors approved this as an informational measure that will be tracked and reported internally. This will allow the collection of additional historical data and refinement prior to consideration as a public corporate performance measure.
Net Income	In the F2006/07-2008/09 Service Plan, BCTC proposed adding a measure for Net Income. In May 2006, the Board of Directors made this an informational measure. BCTC has relatively little control over the revenue effects on net income because of the regulatory and tariff structure it operates within. Expense control objectives already are captured by the OMA/GWh-km measure.

Ensuring the Accuracy and Reliability of Performance Information

BCTC is diligent in ensuring the accuracy and reliability of performance information. Before a measure is chosen, a review of historic data relating to the measure is made to confirm the availability, thoroughness and accuracy of source data. In late 2004, BCTC hired an outside firm, Grant Thornton, to review the data collection process and integrity of BCTC's key performance indicators. In F2006/07, Grant Thornton revisited the process and BCTC's conformity with earlier recommendations.

Financial information is provided through BCTC's audited financial results, while environmental and safety results are captured through BCTC's reporting procedures in these areas. Reliability data are gathered in BCTC's operational databases and analyzed for the purpose of internal and external reporting. The employee and stakeholder surveys are conducted by third parties.

Internal reporting of results, including data collection and review of monthly performance, is done by staff trained in performance measurement. Monthly results are subject to executive management review.

Wherever possible, BCTC seeks independent validation of performance results. Sources of independent validation include the Human Resources Committee of the Board of Directors, which reviews performance results quarterly. As noted in the following section, benchmarking is used wherever feasible. However, benchmarking is not always possible, given BCTC's unique business model. As a result, BCTC is working with industry trade groups and consulting firms to identify appropriate benchmarks and gather data.

Measures and Targets at a Glance

The following table summarizes BCTC's corporate performance measures and targets:

CORPORATE MEASURE	F2006/07 Targets	F2007/08 Targets	F2008/09 Targets	F2009/10 Targets
Reliability:				
BCTC SAIDI (hours) *	2.09 hrs	2.07	2.04	2.03
Efficiency:				
OMA (cents) per GWh-km	18.7 cents	18.7	18.3	18.3
Customer Satisfaction:				
% of Stakeholders Positive or Neutral	88%	88%	88%	89%
Safety: Lost Time Accidents:				
BCTC	0	0	0	0
Contractors	23	22	21	20
Environment:				
Reportable Incidents	7	7	7	7
Employee Engagement:				
Work Canada Index	3.40	3.42	3.43	3.45

* Detailed descriptions of performance measures are included in the next section

Goals, Objectives, Strategies and Corporate Performance Measures

Following is a presentation of BCTC's F2007/08 goals, actions, performance measures and targets, as well as benchmark information for each performance measure.

Goal 1: RELIABILITY, COSTS AND SERVICE

Achieve reliability improvements while lowering costs and delivering outstanding service

Objectives: Pursue incremental improvements in overall reliability performance trends. Manage overall operating cost levels to offset annual inflationary increases. Define and measure service levels to customers.

STRATEGIES

Reliability:

1a. Work with Government and the BC Utilities Commission to develop a consultative process and implementation plan to introduce in British Columbia the North America wide initiative to have consistent and mandatory transmission reliability standards.
1b. Work with BC Hydro to identify delivery / receiving point reliability expectations and factor these into our decisions on OMA and capital reliability investments and reporting.
1c. Meet progress milestones for the System Control Modernization Project, including completion of control centre facilities in Langley and Vernon and completion of telecommunication infrastructure upgrades.
1d. Adopt innovative economic new power technologies to increase the efficiency and reliability of the system and reduce life-cycle costs (develop a Power Technology Roadmap).

Cost Management:

1e. Meet Vancouver Island Transmission Reinforcement Project on-time/on-budget milestones.
1f. Meet project milestones for all other capital projects.
1g. Review procurement policies and procedures to optimize cost effectiveness.
1h. Establish systems to identify ongoing commitments and responsibilities associated with construction projects, contracts and stakeholder relationships to ensure that follow-up actions are completed in a timely and efficient manner.

Customer Service:

1i. Provide exemplary operational services to BC Hydro's generation and distribution lines of business under the respective Service Agreements.
1j. Implement the Transmission Scheduling System replacement project to better assist customers when scheduling transmission system services.
1k. Complete all studies required to connect IPPs within committed timelines.

Rationale for this goal

Ensuring safe, reliable and cost-effective transmission service is at the centre of BCTC's responsibilities. BCTC recognizes that to significantly increase the reliability of the system could require substantial increases in both operating costs and capital investments. At the same time, our costs will be under scrutiny by our customers. Therefore, our efforts are on providing service at lower cost, while improving reliability without substantial cost, where possible. The goal recognizes that BCTC's primary value drivers are through its cost structure, its service to its customers and its ability to deliver reliable service. Linking these drivers in a single goal recognizes the need to balance all three.

The goal directly addresses two of the four goals of the 2002 Energy Plan – low electricity rates (through lower transmission costs) and secure reliable supply.

Performance Measures:

There are two performance measures for this goal: BCTC SAIDI for transmission system reliability and OMA/GWh-km to measure operating efficiency. In addition, BCTC's Stakeholder Survey performance measure assesses overall stakeholder satisfaction, including that of customers. Details of the stakeholder survey measure are provided in the discussion of Goal Four below.

BCTC SAIDI (System Average Interruption Duration Index) –This measure is the **average number of hours across all transmission delivery points that service is interrupted in a year**. It includes both planned and unplanned outages, but excludes interruptions due to generators, as these are not within BCTC's responsibility. The measure assesses BCTC's effectiveness in providing high service reliability from the point of receipt for transmission service to the point of delivery.

Transmission system outages stem from a variety of causes, including weather, animals and motor vehicle accidents. The frequency and duration of outages due to some causes can vary widely from year-to-year. In establishing SAIDI performance targets, BCTC averages previous years' performances and applies an annual improvement factor.

Historical Results and Performance Targets

Targets:	Actual			Target			
	F04	**F05**	**F06**	**F07**	**F08**	**F09**	**F10**
BCTC SAIDI (hours per delivery point)	2.74*	2.33*	2.07	2.09	2.07	2.04	2.03

* Historical results for F2003/04 and F2004/05 have been corrected to reflect data collection variances caused by conversion from manual to automated systems.

Benchmark Information for SAIDI

Reliability statistics for independent transmission companies have a limited history. The SAIDI measure is often tailored by transmission organizations to meet their specific needs, based on the configuration of their transmission system network and their climate and terrain. As a result, the range of reported results is large. Currently, the best benchmark for Canadian transmission reliability can be found in the Canadian Electricity Association's (CEA) annual study of the Bulk Electricity System.

The CEA's SAIDI calculation differs from BCTC SAIDI in three respects: the CEA uses a calendar year versus BCTC's fiscal year, the CEA includes generation source outages whereas BCTC does not, and within the CEA's 2004 calculation, only unplanned outages were included while BCTC SAIDI included both planned and unplanned outages.

The latest year for which benchmark data is available is 2004. BCTC's SAIDI performance for the fiscal year ending 31 March 2005 was 2.33 hours per delivery point. Adjusting BCTC SAIDI results to conform to the CEA study calculation results in 1.8 hours, compared to the composite CEA result of 1.4 hours (information on the extent of CEA reported generation outages is not available, and therefore an adjustment could not be made). Through CEA initiatives, BCTC and other member utilities are in the process of ensuring consistency in definitions and data quality to provide better benchmarking opportunities in future.

OMA (cents) / GWh-km **-** This measure tracks cost efficiency in operating and managing the transmission assets based on transmission system throughput (volume of energy delivered to domestic customers which is measured in gigawatt hours or GWh) and the length of the transmission system (measured in kilometers). Operating, Maintenance and Administrative (OMA) costs include annual costs relating to system operation, asset management, asset maintenance, general and administration costs, and BC Hydro corporate costs allocated to the transmission assets.

Historical Results and Performance Targets

Targets:	Actual			Target			
	F04	**F05**	**F06**	**F07**	**F08**	**F09**	**F10**
OMA/GWh-km (cents)	20.5	18.9	19.0	18.7	18.7	18.3	18.3

Benchmarking Data for OMA/GWH-km

BCTC participates in the CEA/COPE (Committee on Corporate Performance and Productivity Evaluation) study. The CEA/COPE definition of energy transmitted, or system throughput, includes both domestic load and trade volumes. In comparison, BCTC's definition of energy transmitted excludes transmission system use for purposes other than serving domestic customer requirements. BCTC excludes trade volumes because of their high volatility and because they do not materially affect operating costs. When BCTC's figures are adjusted to conform to the CEA method, the result for Fiscal 2004/05 is 16.5 cents per GWh-km. This is almost 25% higher than the CEA peer group average of 13.5 cents.

A number of factors can contribute to the difference in performance across companies, including geography, climate, growth rate, system age, or the impact of significant events such as weather. The multiple of five to one between the highest and lowest F2004/05 results suggests a lack of consistency of data among survey participants. These differences can often make peer-to-peer benchmarking comparison challenging. Through the CEA, BCTC continues to actively work with other utilities in establishing performance metrics more conducive to benchmarking analysis. Importantly, BCTC investigates the work practices of the benchmark leaders to identify and adapt best practices.

Goal 2: MARKET EFFICIENCY

Ensure efficient use and development of the transmission system

Objectives: Proactively seek ways to enhance electricity industry activity on BC's transmission system - resulting in increased services used and new transmission service customers. Make the system available to allow expanded access to market opportunities, limiting congestion and curtailment on the system.

STRATEGIES

2a. Implement actions flowing from BC's new Energy Plan.

2b. Reduce or eliminate transmission constraints through better operational and planned outage coordination with neighbouring utilities and operation cooperation.

2c. Through regional and intertie studies, uncover opportunities to increase regional transmission capacity most efficiently. Identify opportunities with Alberta, Alaska and the Pacific Northwest for intertie reinforcement and development.

2d. Implement BCTC's updated tariff, including options for customer-supplied, non-wires transmission solutions (such as generation re-dispatch or shedding), and expand dynamic scheduling (or similar services) to Alberta.

2e. Complete study with Pacific Gas & Electric of expanded transmission between British Columbia and California. Identify and initiate opportunities for improving IPP and general market access to California and other markets.

Rationale for this goal

BCTC is responsible for managing British Columbia's transmission infrastructure and expanding that infrastructure to meet future needs. The benefits of this infrastructure go well beyond meeting basic reliability needs of domestic electricity consumers. Access to BC's transmission system can give rise to many potential economic benefits, and it is BCTC's objective to ensure the system is used and developed in an efficient manner that will best capture those benefits.

This goal is intended to extend BCTC's service beyond providing open access in a sufficient and reactive manner by becoming better aware of customers' requirements in advance of requests for service. This acknowledges the different timeframes for developing transmission compared to generation, and anticipates the growth of transmission to realize electricity market opportunities.

This goal supports two of the 2002 Energy Plan goals – more private sector opportunities and low electricity rates.

Measures

In F2007/08, BCTC will continue to track and analyze transmission congestion at the US and Alberta interties as an informational measure. The informational measure is reported monthly to BCTC's executive management.

Goal 3: ENVIRONMENT AND SAFETY

Continually improve our environmental and safety management performance

Objective: Continually focus on enhancing our performance in these areas - ensuring that we maintain our excellent safety results for BCTC and work with our contractors on their safety management, and minimizing the number of environmental incidents, recognizing the risks inherent in our operations.

STRATEGIES

3a. Ensure our Safety and Environment Management Systems are continuously reviewed for improvement opportunities.

3b. Ensure contractors meet BCTC's environmental and safety standards.

3c. With BC Hydro, implement the Joint Safety Review Committee and related management processes to ensure safety is assured as the two companies work together.

3d. Develop and implement plans to increase emphasis on environmental management controls, such as the replacement of aged SF6 Gas Insulated Switchgear with newer technology to mitigate releases of this greenhouse gas to the environment.

Rationale for this goal

BCTC takes its responsibilities for safety and the environment seriously. This goal signals our desire to highlight these areas in our corporate strategy – to ensure the organization maintains a strong focus on safety and environmental performance.

This goal supports the environmental responsibility goal in the 2002 Energy Plan.

Safety Performance Measures:

BCTC's safety measure has two equally weighted components to determine overall safety performance; the number of lost-time accidents involving BCTC employees and the number of contractor lost-time accidents. A lost-time accident occurs when at least one day of work is missed after the date of an accident.

Number of BCTC Lost-Time Accidents – This measures all lost-time accidents, whether preventable or not, affecting BCTC employees. The measure supports the fundamental BCTC objective of employee safety.

Number of Contractor Lost-Time Accidents – This measures lost-time accidents for BCTC direct contractors and BC Hydro Field Operations personnel who work on BCTC transmission projects. Starting in F2007/08, subcontractors to BC Hydro will be included in this measure. Targets for F2007/08 and beyond may be revised based on information gathered in F2006/07. This measure also supports the fundamental BCTC objective of safety.

Historical Results and Performance Targets

	Actual			**Target**			
Targets:	**F04**	**F05**	**F06**	**F07**	**F08**	**F09**	**F10**
Lost time safety accidents: BCTC	0	0	0	0	0	0	0
Contractors	25	27	18	23	22	21	20

Benchmarking Data for Safety Measures

The Canadian Electricity Association (CEA) tracks safety performance metrics. BCTC submits annual performance results to the CEA on the following industry wide metrics: all injury frequency rate, lost time injury frequency rate and lost time injury severity rate. BCTC's metrics are not directly comparable to the CEA's because BCTC reports the number of events, whereas the CEA reports injury rates in relation to hours worked. BCTC's performance based on the CEA's measures and the electrical industry member composite performance are shown below for 2005. The frequency rate in the table below is per 200,000 hours of work time. As a reference, BCTC's employees cumulatively work approximately 600,000 hours per year.

	All Injury Frequency Rate	**Lost Time Injury Frequency Rate**	**Lost Time Injury Severity Rate**
BCTC (employees only)	0.34	0.00	0.00
CEA Composite	2.76	0.80	17.67

Environment Performance Measure:

Number of Reportable Environmental Incidents – This measure tracks BCTC's environmental performance against the environmental standards and regulations set by various regulatory agencies. BCTC's performance target for F2006/07 was determined prior to the completion of F2005/06 and was maintained in order to focus the organization on minimizing environmental incidents and support BCTC's guiding principles for environmental responsibility. Performance targets for F007/8 through F2009/10 will be reviewed based on actual results, including F2006/07.

Historical Results and Performance Targets

Targets:	Actual			Target			
	F04	**F05**	**F06**	**F07**	**F08**	**F09**	**F10**
Reportable environmental incidents	3	10	12	7	7	7	7

Benchmark Information for environmental measure

The Canadian Electricity Association's environmental benchmarking studies measure the volume of spills, not the frequency of reportable incidents, which makes a direct comparison challenging. In addition, standards for reporting environmental incidents can vary by province, adding to the difficulty of benchmarking. As a result, BCTC uses historical performance data to determine areas for improvement.

Goal 4: RELATIONSHIPS

Build open and constructive relationships with stakeholders and First Nations

Objective: Continue to develop our relationships with stakeholders and First Nations so that our consultations on our plans and proposals are productive and we maintain the current high level of positive and neutral responses from stakeholders.

STRATEGIES

4a. Build in First Nations and stakeholder considerations as early as possible in our planning, and engage First Nations and stakeholders early as part of our consultation activities.

4b. Expand First Nations working involvement in BCTC projects and programs.

4c. Sustain a positive, open and cooperative relationship with the BCUC, customer and stakeholder groups.

4d. Ensure BCTC's outreach program reaches those communities where existing and future transmission system impacts are greatest.

4e. Maintain effective communications with the Shareholder on BCTC's business objectives and operations.

Rationale for this goal

BCTC values its relationships with stakeholders highly and considers the health of those relationships to be critical to its success, both in the short and long-term. As a publicly-owned BC utility, there is much interest and focus on BCTC, our performance and the benefits BCTC brings. This goal recognizes the importance of establishing the organization's credibility and position in the industry, both within BC and regionally.

This goal, in the long run, is aimed at ensuring BCTC maintains its consent to operate and successfully provides its customers with reliable service and timely access to markets. The goal is aligned with the 2002 Energy Plan goal of secure and reliable supply.

Performance Measure:

Stakeholder Survey Results – This measure is derived from an annual stakeholder survey which includes customers who buy wholesale transmission services or interconnection services (for example, BC Hydro, energy marketers, IPPs), industrial electricity users, municipal governments and Provincial Government agencies. The survey assesses awareness, impressions and satisfaction with BCTC. The measure is based on the percentage of stakeholders who have a very positive, somewhat positive or neutral impression of BCTC. Results assist BCTC in refining corporate goals and future actions in light of the needs of customers and stakeholders.

Targets for F2007/08 through F2009/10 remain steady and statistically consistent with previous results. BCTC believes that even with its extensive construction plans and the expected public concerns over the siting of transmission infrastructure, we should work to maintain the current high stakeholder satisfaction level.

Historical Results and Performance Targets

Targets:	**Actual**			**Target**			
	F04	**F05**	**F06**	**F07**	**F08**	**F09**	**F10**
Stakeholder Response – neutral, positive, very positive	88%	87%	91%	88%	88%	88%	89%

Benchmark Information for stakeholder response measure

Comparable industry statistics are not available; therefore results will be compared to historical BCTC performance. After three years of operation, BCTC now has the historical data to determine trends in performance, and will pursue ways of comparing our performance to standards across a variety of industries.

Goal 5: ORGANIZATION AND PEOPLE

Build an engaged and highly skilled workforce

Objective: Develop an organization with employees who understand the business objectives, know how they are counted on to contribute, and who have the motivation and capabilities to achieve the results.

STRATEGIES

5a. Monitor current and anticipated workloads to ensure they are balanced against sufficient resources through a rigorous approach to business and strategic workforce planning.

5b. Expand the pool of available resources and increase effectiveness in sourcing those resources through better connections with post-secondary institutions and students, geographically expanding recruitment, utilizing contingent resources and maximizing employment brand value.

5c. Develop internal resources to maintain BCTC's knowledge capital by providing individual growth opportunity via development planning, rotational assignments, mentorship program, succession planning, structured training for apprentices, engineers, and leaders, and cross-departmental communications.

5d. Maximize effectiveness of available resources by focusing on engagement (alignment, capability, resources, and motivation), emphasizing employee involvement and two-way communication, committing to development activities, addressing resource issues, effectively executing performance management processes, and increasing awareness of compensation package value.

Rationale for this goal

To execute BCTC's mandate effectively, we need to invest in the recruitment, renewal, development and growth of staff capabilities. The intent of this goal is to continually take BCTC to a higher level of performance – setting high goals, being driven to achieve them, taking accountability for actions and results. The continual renewal and development of a technically expert workforce contributes directly to the Energy Plan goal of secure and reliable supply. It is not just the infrastructure and resources that provide security and reliability, it is also the skilled people operating, managing and planning the system. A high performance organization contributes to the achievement of all BCTC's other objectives, and hence to a number of other goals under the Energy Plan.

Measures

Employee Engagement Index – This measure is the result of an annual employee survey, which measures perceptions on motivation, resource availability, capability and alignment. It is a leading indicator of progress in developing a highly productive and engaged workforce. The measure will be compared to BCTC's historical performance and benchmarked against the Watson Wyatt "Work Canada" national survey.

Based on actual results in F2005/06 and subsequent to the publication of BCTC's 2006 Annual Report, BCTC adjusted the F2007/08 and subsequent targets to reflect a more realistic timeframe in which to meet and exceed the Watson Wyatt average.

Historical Results and Performance Targets

Targets:	Actual			Target			
	F04	**F05**	**F06**	**F07**	**F08**	**F09**	**F10**
Employee Engagement Index (max. score 5.0)	3.36	3.37	3.35	3.40	3.42	3.43	3.45

Benchmark Information: BCTC's Fiscal 2006 Employee Engagement result of 3.35 is lower than the 3.43 average in the Watson Wyatt Work Canada 2004/05 study

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Goal 6: FINANCIAL RETURN

Manage costs and revenues to meet service obligations.

Objective: Ensure that actual net income results (after deferral accounts) are as planned each year.

STRATEGIES

6a. Ensure annual risk management plans are effective in managing variability of costs.

6b. Gain regulatory approvals of transmission revenue requirements.

6c. Cost management actions noted in Goal One.

Rationale for this goal

BCTC's financial objective is not to maximize revenues but to maximize use of the system. It is not to maximize net income but to effectively complete all planned work while managing costs and risks. Even with the deferral accounts that BCTC has to cover unexpected annual revenue and cost fluctuations outside of the organization's control, BCTC has a need to be disciplined in budgeting and controlling actual expenditures, so that it can meet its service obligations.

Measures: Expense control is a component of the OMA/GWh-km measure (Objective 1).

Summary Financial Outlook for the Service Plan Period

This financial summary reflects the revenues and expenses attributable to BCTC's own operations. Revenues and expenses attributable to BC Hydro for transmission asset ownership are forecast by BCTC but included in the BC Hydro's Service Plan.

BCTC Financial Summary

(in $ millions)	**Actual 2005/06**	**2006/07 Forecast**	**2007/08 Budget**	**2008/09 Forecast**	**2009/10 Forecast**
Revenues	205.3	187.2	195.1	201.4	211.1
Expenses					
Operating Costs	(161.8)	(168.3)	(175.1)	(174.7)	(176.4)
Asset Related Costs	(22.0)	(15.3)	(14.4)	(19.5)	(27.4)
Total Expenses	(183.8)	(183.6)	(189.5)	(194.2)	(203.8)
Net Income before Deferral Accounts	21.5	3.6	5.6	7.2	7.3
Deferral Accounts	(8.1)	0.3	-	-	-
Net Income	13.4	3.9	5.6	7.2	7.3
Retained Earnings	17.8	20.3	25.9	33.1	40.4
BCTC capital (Note 1)	21.4	62.4	67.8	21.0	8.5
Debt (including Capital Leases)	37.2	46.8	94.7	93.6	76.5
Debt to equity ratio	55:45	52:48	62:38	66:34	60:40
Total Full-time Employees (FTE's)	321	374	390	380	365

***Note 1**: The capital budget for transmission assets owned by BC Hydro is shown in the capital budget section.*

Since F2005/06, BCTC has earned transmission services revenue directly from its customers under its own Open Access Transmission Tariff (OATT). Under Special Direction No.9, the BCUC must ensure that BCTC's tariff rates allow the collection of sufficient revenue to generate an annual allowed rate of return on deemed equity.

With the establishment of commercial Service Level Agreements with BC Hydro service providers, BCTC's cost structure includes all asset management and system operation charges for the transmission system, including charges from BC Hydro Engineering and Field Operations. This enables BCTC to more effectively manage the costs associated with the management, operation and maintenance of the system.

Revenues

($ millions)	F2005/06 Actual	F2006/07 Forecast	F2007/08 Budget	F2008/09 Forecast	F2009/10 Forecast
Transmission Tariff Services	169.4	156.0	163.6	171.4	181.5
Non-Tariff Services	35.9	31.2	31.5	30.0	29.6
Total Revenues	**205.3**	**187.2**	**195.1**	**201.4**	**211.1**

Revenue comprises transmission tariff revenues and non-tariff revenues. Tariff revenue is BCTC's share of the amount collected for network services, point-to-point and ancillary services revenues. The tariff is adjusted each year to recover the allowed net income and expenses less revenue for non-tariff services. The tariff is reviewed and approved by the BCUC annually.

Tariff Revenue: F2006/07 tariff revenue will be $13.4 million lower than the F2005/06 tariff revenue due to the following:

- Charges to transmission customers will be reduced as a result of lower operating and asset related costs; and
- Charges for asset management and maintenance services will be reduced as a result of improved maintenance practices and maintenance program cost savings.

The F2007/08 to F2009/10 tariff revenue projections increase to recover higher operating costs and asset related costs, and higher allowed net income due to the growth in capital assets.

Non-tariff Revenue: Non-tariff revenue comprises amounts earned providing services to BC Hydro for Substation Distribution Asset Management, Distribution Operations, and Generation Control, BCUC approved revenue assignment of Generation Related Transmission Asset Maintenance and other miscellaneous revenues.

For F2006/07 forecast, non-tariff revenue is expected to be $4.7 million lower than the prior year largely due to the following:

- Charges for Generation Related Transmission Assets are lower as a result of improved maintenance processes and reduced maintenance program costs;
- Absence of the one-time bonus payment for wage settlement from the Province of BC in F2005/06; and
- Service charges for BC Hydro's voice and data use of the microwave system were reduced to reflect lower market-based pricing.

Operating Costs

($ millions)	F2005/06 Actual	F2006/07 Forecast	F2007/08 Budget	F2008/09 Forecast	F2009/10 Forecast
Operations, Maintenance & Administration	157.3	163.5	170.3	169.9	171.6
Cost of Market	4.5	4.8	4.8	4.8	4.8
Total Operating Costs	**161.8**	**168.3**	**175.1**	**174.7**	**176.4**

Operations, Maintenance and Administration (OMA): OMA expenses consist primarily of labour for BCTC's own staff plus the charges for outsourced services provided by service providers including BC Hydro, Accenture Business Services for Utilities and others.

For the purposes of the financial forecast included in the Service Plan, only approved salary and wage increases are included. Given the extremely tight labour market in the power industry and staffing requirements following from BCTC's aging workforce and increasing activity, BCTC anticipates that there will be continued upward pressure on salaries and wages. This represents a risk to the financial forecast. The sensitivity of a 1% increase in salaries and wages is about $400,000.

The OMA forecast for F2006/07 is $6.2 million higher than F2005/06, due to increased activity associated with capital planning, interconnection studies, regulatory proceedings and stakeholder consultations. Also included in the forecast is $1.1 million for the new System Control Modernization Project (SCMP) for process design and documentation.

The F2007/08 OMA budget is $6.8 million higher than the F2006/07 forecast. The increases are due to higher labour costs for additional headcount to address increased activity, increased costs of compliance with reliability and security standards as well as increased consultation and regulatory costs. BCTC expects to eliminate some of the additional positions through retirement over time. In F2007/08 the forecast also includes $1.1 million for the tri-annual Asset Baseline Study.

The F2008/09 OMA budget decreases $0.4 million over F2007/08. This is due to reduced expenses after the completion of the Asset Baseline Study, partially offset by relocation and severance costs associated with the System Control Modernization Project

The increase of $1.7 million from F2008/09 to F2009/10 reflects labour cost increases.

The increase for inflation on non-labour expenses is 2.0% for F2007/08 and 2.1% for subsequent years. The impact of inflation on non-labour expenses other than BC Hydro and Accenture Business Services for Utilities is assumed to be offset by cost reductions from productivity improvements.

Cost of Market: This category includes costs for congestion management and ancillary services. Congestion management expense includes costs of operating reserves, transmission locational credits, unscheduled flow mitigation and operating agreements between control areas. It also includes the cost of all generation-based ancillary services that BCTC, in turn, sells to customers on a cost flow-through basis.

Asset Related Costs

($ millions)	F2005/06 Actual	F2006/07 Forecast	F2007/08 Budget	F2008/09 Forecast	F2009/10 Forecast
Depreciation and Amortization	19.7	13.8	13.6	16.3	21.0
Taxes and Grants	0.3	0.3	0.3	1.5	2.0
Finance Charges	2.0	1.2	0.5	1.7	4.4
Total Asset Related Costs	**22.0**	**15.3**	**14.4**	**19.5**	**27.4**

BCTC's asset related costs include depreciation, school taxes, grants in lieu of taxes, and finance charges associated with the assets owned by BCTC.

Depreciation and Amortization

F2006/07 depreciation and amortization expense is forecast to decrease $5.9 million from F2005/06. A reduction of $6.4 million is due to a decrease in the asset base as several business system assets became fully depreciated at 31 March 2006. The reduction is offset in part by an increase of $0.5 million from new assets placed in service.

Depreciation and amortization in F2007/08 is forecast to decrease by $0.2 million from F2006/07. A reduction of $1.9 million, due to several control centre assets becoming fully depreciated, is partially offset by an increase of $1.7 million primarily for new business systems placed in service. Depreciation and amortization in F2008/09 is forecast to increase by $2.7 million from F2007/08. An increase of $1.7 is due to number of business systems and information technology assets placed in service. A further increase of $7 million is due to the new Control Centre Modernization Project ($5.3 million for the new assets placed in service and $1.7 million for reconfiguring the existing area control centres). These increases are partially offset by a $6.0 million reduction in depreciation as a result of other control centre assets becoming fully depreciated.

Depreciation and amortization in F2009/10 is forecast to increase by $4.7 million from F2008/09. An increase of $7.1 million reflects the full year's depreciation on SCMP, business systems and IT assets placed in service in the previous year. These increases are partially offset by a $0.7 million reduction in depreciation due to assets becoming fully depreciated; and a $1.7 million reduction as the one-time reconfiguration costs incurred in the previous year are not repeated.

Grants and Taxes

Grants-in-lieu of property taxes and school taxes are forecast to remain stable at $0.3 million until F2008/09, at which time grants and taxes will increase by $1.2 million due to the higher property taxes relating to the new control centres.

Finance Charges

BCTC borrows through facilities established with the Ministry of Finance. BCTC's short-term borrowings are commercial paper, which are limited to a $25 million outstanding balance. BCTC has one outstanding long-term issue with a $30 million face value, a coupon rate of 4.3%, and an effective interest rate of 4.1%, which matures in 2008. The proceeds from the debt issue were used to purchase the control system assets from BC Hydro in 2003.

Future BCTC capital projects will be funded from operating income, supplemented by short-term commercial paper borrowings. When the $25 million limit on short-term borrowings is reached, the short-term debt will be refinanced with long-term debt.

Long-term Debt forecast

Series	*Rate*	*Maturity*	*F2006/07*	*F2007/08*	*F2008/09*	*F2009/10*
BCTR-CD-6(1)	4.30%	December 2008	30.0	30.0	-	-
#2	4.89%	July 2017	-	40.0	40.0	40.0
#3	5.83%	Dec 2018	-		30.0	30.0
Total			30.0	70.0	70.0	70.0

Finance charges reflect the interest on borrowings for capital expenditures less capitalized interest during construction (IDC). The interest rate forecast is provided by the Ministry of Finance. Higher borrowing commencing in F2007/08 is expected to result in higher gross finance charges offset by higher capitalized interest during construction, primarily for the System Control Modernization Project. The capitalized interest calculation is based on the capital work in progress (WIP) balance but the amount capitalized is capped at the amount of short and long-term finance charges.

Finance Charges	*F2006/07*	*F2007/08*	*F2008/09*	*F2009/10*
Short-term borrowing cost	0.0	0.7	0.9	0.4
Long-term borrowing	1.3	2.8	3.5	3.7
Capital leases	0.5	0.5	0.5	0.5
Deferral accounts	0.7			
Sub-total	2.5	4.0	4.9	4.6
Less Interest Capitalized:				
Total IDC based on WIP	1.6	5.9	3.2	0.2
Interest capitalized	(1.3)	(3.5)	(3.2)	(0.2)
Finance charges	1.2	0.5	1.7	4.4

Deferral Accounts

BCTC has deferral accounts approved by the BCUC to mitigate the financial risks associated with revenue and cost variances from forecast. A deferral account is a mechanism used by rate-regulated entities to accumulate the difference between the BCUC approved amounts and the actual revenues and costs for recovery or refund through future rates. Deferral accounts are commonly applied to costs or revenues that are either uncertain or volatile in nature, and generally beyond the control of the utility. The use of deferral accounts may provide rate stability for customers and may reduce risk for the rate-regulated entity, Shareholders and/or its customers. BCUC has approved BCTC's deferral accounts and their use was contemplated in the Master Agreement between BCTC and BC Hydro, dated 12 November 2003. There are currently four deferral accounts:

Revenue Deferral Account – captures the annual variances between forecast and actual OATT revenues.

Emergency Maintenance Deferral Account – captures non-capital emergency maintenance expenditures incurred as a result of unanticipated major equipment failures, extreme weather, wildfires or similar events.

Cost of Market Deferral Account – captures the annual variances between forecast and actual Cost of Market expenditures.

Regulatory Expense Deferral Account – captures the variances between forecast and actual regulatory costs. These costs include BCTC's counsel, experts and staff, hearing costs associated with the applications and intervenor costs as approved by the BCUC.

BCTC is forecasting a net balance of $0.3 million for two of the deferral accounts at 31 March 2007 as follows:

- Revenue Deferral Account is forecast to be $2.3 million as BCTC's share of actual OATT revenues are expected to be $2.3 million lower than the forecast. The balance is composed of $1.1 million point-to-point revenue shortfall, $2.0 million of other ancillary services shortfall, offset by $0.8 million scheduling fee surplus.
- Cost of Market Deferral Account is forecast to be $2.0 million as actual cost of market expenditures are lower than forecast costs.

BCTC's F2005/06 deferral account balance of $8.1 million, together with $14.9 million pertaining to BC Hydro's Revenue Requirement for transmission services and interest based on BCTC's weighted average cost of debt, will be refunded to customers in early 2007.

Net Income

The forecast net income for F2007/08 – F2009/10 is based on earning an allowed rate of return on the deemed equity balance at the end of the year. The actual equity balance is composed of retained earnings and a $20 million equity injection from the Province of British Columbia. The net income forecast is based on BCTC's deemed equity structure, as defined in Special Direction No. 9. BCTC may collect its interest expense on its deemed debt and an allowed rate of return on its deemed equity structure in the rates it charges its customers. Actual interest expense is reflected in the annual operating accounts of the Company to arrive at BCTC's actual net income. The forecast reflects the amended Special Direction No. 9 to establish BCTC's deemed equity component at 40.7% of its total capitalization. The F2006/07 allowed rate of return of 13.1% is used as the estimate of the return for F2007/08 – F2009/10.

In order to build its equity level to an amount required to assume the risks inherent in its business model, the Shareholder has approved BCTC retaining all earnings until F2008/09. Retained earnings are forecast to be $33.1 million at the end of fiscal F2008/09 and will result in an actual equity component of 34%. In consultation with the Shareholder, BCTC is currently developing the dividend policy for F2009/10.

Full Time Employees

Full Time Employees (FTEs) are defined as the number of approved full-time employee positions. Over the past three years, BCTC adjusted its organizational structure, redeployed existing resources and added headcount to address its strategic objectives and growing workload associated with OATT tariffs, capital expansion, regulatory proceedings and public/stakeholder consultation.

In F2005/06, BCTC relied heavily on higher-cost temporary and contractor resources and on excessive overtime. The annual Employee Engagement Survey results strongly suggested that resource levels within parts of the organization were inadequate. In F2006/07, BCTC conducted a critical review of resource capability to ensure it has the capacity to deliver on corporate goals and objectives. A primary driver of increased resource needs is BCTC's 10 year capital plan, which anticipates a significantly higher level of investment in the transmission system to meet growing demands and to sustain existing system capacity. F2006/07 capital expenditures are forecast at $260 million, which is 84% higher than in the previous year. The higher level of study requests from IPPs and generators and increasing regulatory and stakeholder expectations are also straining the capability of existing resources.

In fall 2006, 41 new positions were approved over a two year period – 25 in F2006/07 and 16 in F2007/08. Of the 41 positions, 11 are temporary increases to address business transitional requirements associated with BCTC's aging workforce and the System Control Modernization Project. BCTC expects to eliminate these temporary positions through retirement over time. A further 9 positions are for replacement of temporary or contract staff performing core work functions, and the net increase of this additional headcount will be largely offset by savings in reduced payments for contracted services. The overall cost of BCTC's headcount increases will be partly offset by efficiency gains in the area of non-maintenance spending.

Key Forecast Assumptions and Risk Factors Relating to the Financial Forecast

Key Assumptions used in preparing the financial outlook include:

- BCTC rates are regulated by BCUC. Rates and revenue requirement are set based on forecast of costs plus a return on equity.
- Return on equity maintained at the currently approved level of 13.1%.
- 40.7% deemed equity component for all years.
- Debt costs based on November 2006 Economic Assumptions provided by the Ministry of Finance.

Risk Factors

BCTC uses an Enterprise Risk Management framework to identify, evaluate, manage, and monitor the uncertainties the organization faces. The framework ensures that effective strategies are in place to mitigate critical risks. The following key risks are those that may influence financial and performance expectations during the current year and the three-year budget planning period. The various mitigation strategies are described below.

Labour Risk

BCTC relies on a relatively small, highly skilled workforce within an increasingly competitive labour market. The average age of BCTC's employees is 46 years. Voluntary attrition, inclusive of retirement, was 6.5% in F2005/06 and is expected to escalate to 7 to 9% commencing in F2006/07, principally due to increased retirements.

In order to manage this risk BCTC has increased the emphasis on succession and workforce planning, recruitment strategies and active management of other key attraction and retention factors. In addition, staffing levels within the organization have increased to accommodate workload considerations, including increased knowledge transfer requirements and training considerations.

Regulatory Risk

BCTC manages this risk through prudent planning, seeking approvals as early as they can be obtained and by minimizing any capital activity in advance of the necessary approvals. BCTC has received approval from the BCUC for certain deferral accounts in which to record the differences between forecast and actual revenues or costs. BCTC is subject to the same deferral account clearance risks as other regulated companies. BCTC manages this risk by ensuring deferred costs and revenues are prudent and by demonstrating BCTC's prudent action to the BCUC.

Project and Program Risk

BCTC mitigates program execution risks through the application of policies, processes and standards. Each capital or maintenance project is evaluated for regulatory, cost, schedule, scope, performance, utilization, functionality, environmental and safety risks. The Risk Management Committee reviews the risk mitigation strategies in place for BCTC's major capital projects.

Operational Risk

BCTC operates, plans, and manages the assets of BC Hydro's transmission system and is responsible for electric transmission reliability for that system. In the execution of this mandate, BCTC manages risks that could potentially impact the reliability, capacity, sustainment, safety or environmental performance of the transmission system. Monitoring asset health and performance allows risk reduction programs to be initiated. A comprehensive system of operating policy and local and system operating orders safeguard against worker and public endangerment, equipment damage, loss of reliability, and loss of public support.

Environmental, Health and Safety Risk

Environmental, Health and Safety risks are managed by the use of International Organization of Standards consistent management systems. BCTC uses the management systems it has developed to identify, assess, and control environmental, health and safety risk. All lines of business are annually reviewed for policies, standards, and compliance with Government regulations and industry standards. The Human Resources, Safety & Environment Committee of the Board of Directors has oversight responsibility for environment, health and safety.

Security Risk

Security risks are managed through an enterprise Security Management Program that encompasses physical security and cyber security. The security program ensures that our personnel, assets, information systems, and operations are resistant to security threats and potential business disruptive events. Regular reporting is provided to the Risk Management Committee and the Audit Committee of the Board respecting management's enterprise risk assessment and business continuity planning.

Credit Risk

Credit risk is the risk of loss in the event a counterparty fails to fulfill its payment obligations. A counterparty may be a customer under the Open Access Transmission Services Tariffs or other commercial counterparty, debtor or guarantor. BCTC has a low tolerance for credit risk and has established stringent credit policies and procedures for the day-to-day management of credit risk exposure. Transmission services are provided only to those customers whose debt, as determined by debt rating agencies, meets BCTC creditworthiness criteria or upon receipt of acceptable security. The management of credit risk is centralized under the Chief Financial Officer from a strategic and operational perspective. Credit risk is measured on an ongoing basis and a monthly credit review and exposure report is provided to management for review. In Fiscal 2006, BCTC did not experience any credit loss from customer accounts.

Market Risk

Market risk is the risk of loss resulting from changes in interest rates, foreign exchange rates and commodity prices. BCTC is exposed to interest rate risk which could negatively affect its finance charges and the cost of its pension and other employee benefit plans. As at March 31, 2006, BCTC had a $30 million debenture, at a coupon rate of 4.3% and maturing in December 2008. Therefore there is a low interest rate risk associated with debt cost. The interest rate risk on the cost of BCTC pension and other employee benefit plans is more significant due to the sensitivity of the liability to the discount rate used in valuing pension plan liabilities. The discount rate is based on yields at the financial statement date of high quality corporate bonds matching the timing and amount of the expected benefit payments under the plans. The discount rate has declined from 6% at March 31, 2005 to 5.40% at March 31, 2006 and this contributes to higher actuarial liabilities and current service costs for future periods. BCTC periodically undertakes an Asset/Liability study to address interest and investment risk associated with its pension plan. BCTC foreign currency risk is currently insignificant as most of its exposure pertains to its trade receivables and payables. BCTC does not have any commodity risk.

Key assumptions and sensitivities for the F2007/08 budget and forecast to F2009/10 are as follows:

Financial Assumptions	**Sensitivities**
1. Regulatory	
• BCTC earns 13.1% allowed return on equity through the period F2007/08 to F2009/10.	• A 1% change in the allowed return on equity will change net income of future years by $0.4 million in F2007/08, $0.6 million in F2008/09 and $0.5 million in F2009/10.
• To recover costs and allowed return on equity over the forecast period F2007/08 to F2009/10, Open Access Transmission Tariff (OATT) revenues are forecast to increase between 5% to 6% per annum over the forecast period. Revenue Requirement changes are subject to review and approval by the BCUC.	• BCTC's costs and allowed return on equity would have to change by approximately $1.5 million to effect a 1% change in transmission tariff revenues.
2. Costs:	
▪ The F2007/08 budget includes approved Collective Agreement increases and other Board approved allowances for salary and wage increases. No additional labour cost increases are included in F2008/09 and F2009/10. The IBEW/BCTC Collective Agreement expires 31 March 2007.	▪ A 1% change in labour costs will change expenses by $0.4 million in each year, of which $0.1 million pertains to IBEW labour costs.

Financial Assumptions	Sensitivities
▪ 2% annual inflation on non-labour expenses other than BC Hydro and ABS during the forecast period is offset by productivity improvements.	▪ A 1% change in inflation on non-labour expenses will change expenses by $0.5 million.
▪ The SCMP facility is in-service October 2008.	▪ Beginning F2008/09, an in-service delay of one month will decrease depreciation by $0.9 million and increase interest capitalization $0.6 million.
▪ Short-term and long-term debt interest rates reflect rates published by the Ministry of Finance for the forecast period.	▪ Each 1% change in interest rate will change the gross finance charge of new debt by $0.5 million in F2007/08, $0.7 million in F2008/09 and $0.7 million in F2009/10.
▪ Cash flows assume that all deferral accounts are cleared in the following year, no changes are made to the capital structure of the company and dividends are not paid during the forecast period.	▪ An increase of $10 million in long-term debt requirements will increase finance charges between $0.5-0.7 million per year.
▪ BCTC is currently assessing the impact of the SCMP facility on the control center operating lease arrangements.	▪ Operating costs include $0.2 million/year for operating lease payments and depreciation expense and finance charges for capital leases are $0.3 million/year and $0.5 million/year respectively.
3. Capital Plan	
▪ Customer Load Projects are included in the Plan only if there is a signed Facilities Agreement.	▪ Capital expenditures for customer load connections could change rapidly with economic conditions.
▪ IPP Expenditures are based on BC Hydro's ongoing and planned Call for Tender (CFTs).	▪ Planned expenditures will be impacted if IPPs do not develop as anticipated.
▪ Projects are planned based on BC Hydro's preliminary load forecast and amended resource plan.	▪ Deviations from the forecast could affect the timing of system reinforcements and the in-service date of the reinforcements.
▪ The Northwest Transmission project is not included in the Plan. The project is under consideration by the Provincial Government and, if it proceeds, may require Board and BCUC approval during the planning horizon.	▪ If the project proceeds, capital funding and staffing will need to be increased.

Capital Plan

BCTC is accountable for investments in the transmission system assets that continue to be owned and financed by BC Hydro. BCTC owns and finances capital assets that are required to operate the transmission system. Investments in both the BC Hydro-owned assets and the BCTC-owned assets are presented in the Transmission System Capital Plan which is subject to review and approval by the BCUC. BCTC's capital plan filings and BCUC Decisions are available on the BCTC website at http://www.bctc.com/regulatory/. For individual capital projects exceeding $50 million, BCTC prepares capital project plans for public disclosure pursuant to the *Budget Transparency and Accountability Act*. A summary of all Transmission capital expenditures is presented below:

Transmission Capital Expenditure Forecasts

$ millions	F2005/06 Actual	F2006/07 Forecast	F2007/08 Budget	F2008/09 Forecast	F2009/10 Forecast
Transmission Assets Owned by BC Hydro					
Sustaining Capital	86.6	92.3	90.2	96.1	98.8
Growth Capital	41.1	114.0	122.5	280.1	223.5
Contributions In Aid of Construction	(4.9)	(8.0)	(8.0)	(21.0)	(27.0)
Total – Transmission Assets Owned by BC Hydro	**122.8**	**198.3**	**204.7**	**355.2**	**295.3**
Assets Owned by BCTC	**21.4**	**62.4**	**67.8**	**21.0**	**8.5**
Total Transmission System Capital Expenditures	**144.2**	**260.7**	**272.5**	**376.2**	**303.8**

Capital Expenditures – Transmission Assets Owned by BC Hydro

There are two main drivers for capital investment in the transmission assets owned by BC Hydro: sustaining performance capability; and growth to meet load increases and customer interconnection requests.

Sustaining Capital

Investments under the Sustaining Portfolio are designed to maintain an appropriate level of asset health and system performance. These investments typically involve refurbishment or replacement of existing equipment, with the objective of extending life or preserving functionality. In addition, some Sustaining Portfolio investments are made to reduce risks, such as those associated with safety and environmental issues, and meet industry standards in programs such as seismic upgrades, spill containment, and fire risk reduction.

The key drivers in the development of the Sustaining Portfolio align with BCTC's Corporate Goals.

Corporate Goal No. 1 - Reliability, Cost and Service - Corporate Goal No. 1

a) Asset performance: actual asset performance is compared to required performance levels to identify needs. Asset criticality is the main factor in determining required performance levels and is based on load, number and type of customers served and network configuration.

b) Asset condition: a leading indicator of asset performance and reliability, asset condition is affected by the equipment's physical environment and its operating and maintenance history.
c) Maintainability: if there is a lack of replacement parts, repairs may be very expensive or even impossible. This can put the transmission system at risk since the failure of one of these items could cause extended service outages until spare parts are found or new equipment is acquired and installed.
d) Risk Exposure: the main risks associated with the Sustaining Portfolio include seismic events, severe weather and fire, which could have considerable impact on system reliability and result in higher remediation costs.
e) Life Cycle Cost: an asset can reach its end of-life when it is no longer economically justifiable to continue maintaining the equipment. Financial end-of-life is reached when the net present value of on-going maintenance costs exceeds the net present value of a capital investment in the asset and the, typically lower, maintenance costs following the investment.

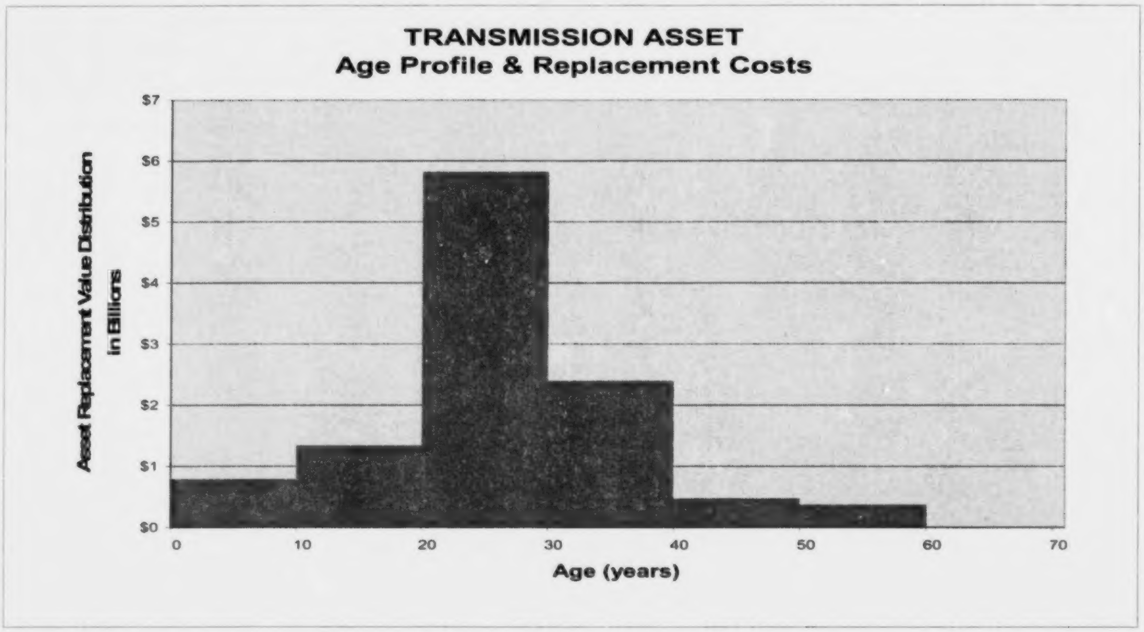
Corporate Goal No. 3 - Safety and Environment

a) Risk exposures in the areas of safety and impact to the environment are monitored and evaluated on an on-going basis to ensure they comply with BCTC's Corporate Goals, standards set by regulatory bodies and legal requirements.
b) Safety and environmental requirements are considered throughout the program and project development and execution processes as well as during on-going maintenance practices.
c) Safeguarding personnel, the public, property, equipment, and other assets through the implementation of appropriate security measures to mitigate inadvertent or fraudulent access to facilities, which may result in theft or damage to assets, disruption of power supply, damage to the environment, and harm to the public or personnel.

BCTC's planning process now includes the use of an improved prioritization methodology and tool which facilitate the comparison of all projects across the Sustaining Portfolio to focus investment on those providing the most value and with the greatest risk from deferral. This has resulted in some shifts of emphasis on programs within the Sustaining Portfolio. Significant changes include increased work in station security to address escalating risks from break-ins; and a reduction in work on cable sustainment, reflecting the improved condition of these assets.

Additionally, BCTC is in the process of developing a new tool to forecast the long-term level of Sustaining Capital investments required to ensure the system continues to provide safe, reliable service. A large part of the transmission system's asset base, installed between 20 and 40 years ago, will reach end of life in the next several decades. BCTC is developing methods and plans to manage the forecasted replacement investment profile, to reduce the predicted costs and smooth the investment requirements.

Transmission Asset Age Profile & Replacement Costs



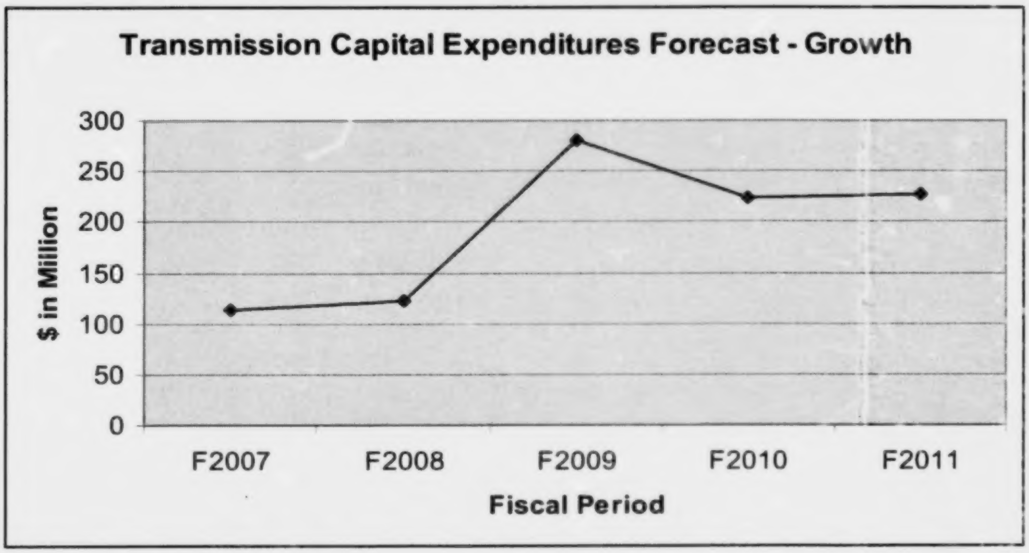
Growth Capital

Growth Capital includes the investments required to extend and enhance the system to meet growth in load and use of the system, and to accommodate transmission customer and IPP requests. The key business drivers of growth capital are:

- Open Access Transmission Tariff (OATT) service requests for new generation and domestic load growth pursuant to the Network Integrated Transmission Service (NITS) Agreement between BC Hydro and BCTC.
- OATT Point-to-Point Transmission Service requests from BC Hydro and other customers.
- Transmission interconnections requested by Independent Power Producers and other customers.

Growth capital increases sharply in F2008/09 and remains high for the following five years to address the rapid load and generation growth in the province due to customer demand, IPP interconnections and BC Hydro resource additions. Where these investments are made pursuant to transmission tariff requests for service, the process for determining investments and the sharing of costs is in accordance with the OATT tariff.

Following is a table depicting current and planned growth capital expenditures:



There are two growth capital projects in progress for which expenditures are forecast to be greater than $50 million:

Vancouver Island Reinforcement Project - $249 million (F2005/06 – F2008/09)

The high voltage direct current (HVDC) system between Lower Mainland and Vancouver Island is reaching the end of its useful life. The rated transfer capacity has been reduced to 240 MW and will be rated zero for planning purposes in 2007. With the de-rating of the HVDC system and load growth on the Island, the existing firm supply capacity will be unable to meet the peak demand on the Island by the end of 2007. In order to meet demands and load growth on Vancouver Island and the Southern Gulf Islands, this project will install a new 230 kV circuit between Arnott Substation in Delta on the mainland and Vancouver Island Terminal station.

BCUC granted BCTC a Certificate of Public Convenience and Necessity (CPCN) in July 2006. Various intervenors have applied to the BCUC for reconsideration of its decision and such applications have to date been dismissed. Certain intervenors also applied for leave to appeal to the British Columbia Court of Appeal, which has granted leave on one ground of appeal. The hearing on the merits of the appeal is expected in early 2007. An application for US federal approval was filed with the US Army Corps of Engineers at the end of May for the portion of the project in US waters. US State and County permit applications were filed in August. The project is also under review by the BC Environmental Assessment Office and Canadian Federal Agencies (DFO and Environment Canada). BCTC expects to receive a BC Environmental Assessment Certificate (EAC) by February 2007. The project remains on track for an in-service date in the fall of 2008.

Interior to Lower Mainland Reinforcement - $349 million (F2005/06 to F2014/15)

The project would reinforce the Interior to Lower Mainland bulk transmission system to meet load growth in the Lower Mainland, ensure existing transmission commitments are met and to transport increased generation resulting from new generation capacity planned in the South Interior. A new series compensated 250 km, 500 kV transmission line between Nicola substation (near Merritt) and Meridian substation (in Coquitlam) is one of the options being considered. A second transmission option being evaluated, upgrading of existing circuits, is a package of 16 upgrade projects for existing lines and station facilities.

The project is in the Definition Phase and the project team has completed initial project planning activities. Preliminary First Nations and agencies engagement and meetings with municipal planners have started. BCTC has filed a project description for the Nicola-Meridian new line option with the BC Environmental Assessment Office. More formal First Nations and Public Consultation will begin in 2007. Project scope, schedule and estimated costs will be defined in more detail once public consultation is complete and the preferred option selected.

The conceptual in service date is fall 2013 or 2014. A Certificate of Public Convenience and Necessity Application will probably be filed in F2007/08.

Capital Expenditures – Assets Owned by BCTC

Capital expenditures for assets owned by BCTC include investments in control centre technologies, information technology and other BCTC assets and facilities. These expenditures are required for the operation of the transmission system and for business support. The main business drivers are:

- Protecting and maintaining the health of applications and infrastructures;
- Increasing personal efficiency and effectiveness;
- Improving decision support; and
- Regulatory compliance, contractual and legislative requirements.

BCTC has one capital project greater than $50 million, the System Control Modernization Project, totaling $132.5 million, with an in-service date of 2008. This project will provide information, communication systems and automated systems to operate the integrated transmission system and to facilitate integrated market access to Alberta and the United States. The current Energy Management System and Supervisory Control and Data Acquisition systems are based on 1960's operating models and are at the end of their useful lives. The existing systems are antiquated and do not have the features and functionality required for an open access and evolving regulatory and business environment. In February 2005, BCTC received a CPCN from the BCUC to proceed with the project.

The project is in the Implementation phase. Property was purchased in Langley for the new Fraser Valley Office (main control centre). The existing control centre property in Vernon was selected for the new Southern Interior Office (backup control centre). Telecommunications upgrade design work is complete, several contracts have been awarded, and construction is in process. The Energy Management System (EMS) contract has been awarded, design work is substantially complete, and software development is underway. Portions of the EMS system hardware and software have been delivered primarily for system development, training, and testing. Building design is complete and construction is underway at both sites. Both buildings will be under-roof and weather enclosed early in 2007. The buildings are scheduled for occupancy in the summer of 2007. The overall project is on budget and schedule for a 2008 in-service date.

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January 26, 2007

The Honourable Colin Hansen
Minister of Economic Development
Province of British Columbia

Minister:

On behalf of the Board of Directors and staff of the Columbia Basin Trust, I am honoured to submit our service plan for the years 2007/08 through 2009/10 to you. The Columbia Basin Trust 2007/08-2009/10 Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The Board is accountable for its contents, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions, and identified risks as of January 26, 2007 have been considered in preparing this service plan. The targets in this plan have been determined based on an assessment of Columbia Basin Trust's operating environment, forecast conditions, risk assessment and past performance.

The Columbia Basin Trust benefits the region of British Columbia most affected by the Columbia River Treaty between Canada and the United States. Through the endowment provided by the Province of B.C., CBT makes investments and uses the returns from its investments to deliver social, economic and environmental benefits to the people of the region. Columbia Basin Trust is therefore accountable for its actions to both the Province of B.C., our shareholder, and to the residents of the Columbia Basin, our stakeholders.

In the past year, Columbia Basin Trust has celebrated some major accomplishments. We continue to make investments in the region that earn strong financial returns. We are closer to the completion of the Brilliant Expansion Project and expect to begin seeing returns from it in 2007. We expanded our investments in congregate care facilities for seniors and continue to earn strong positive returns from those investments.

The positive results of our investment portfolio mean that we are planning to return $7 million in social, economic and environmental benefits to the residents of the Columbia Basin over the next fiscal year. Over the past year and continuing into the next year, we have been focused on developing a strategic framework that will link our priorities with our resource and funding decisions. By setting clear priorities and implementing programs and initiatives based on those priorities, we will be more accountable to Columbia Basin residents. We are also strengthening our relationships with long time partners by committing to multi year funding for some programs.

On behalf of the Board of Directors and staff, I thank you for your work with CBT.

Yours sincerely,

Josh Smienk
Chair, Board of Directors

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Overview

After working with Columbia Basin residents, including leaders from local communities and First Nations, the Province of B.C. created the Columbia Basin Trust in 1995. Columbia Basin Trust's origins are unique and its formation recognized the continuing impacts from the historical management of water in the Columbia Basin.

In 1964, Canada and the United States ratified the Columbia River Treaty (CRT), which coordinates flood control and optimizes potential electrical energy production in the Columbia River Basin in the U.S. and Canada. Under the CRT, Canada agreed to build three storage dams, and agreed to a fourth dam being built in the U.S. with a large portion of its reservoir in southeastern B.C. In return for the storage of water, Canada is entitled to one half of the additional potential power generated at the American power plants on the Columbia River.

Map of the Columbia Basin region of British Columbia

As a result of the creation of the dams and the reservoirs behind them, areas critical to the social, economic and environmental well-being of the Columbia Basin were lost. In addition, the Columbia Basin is still dealing with significant and ongoing impacts related to the rise and fall of water levels on the Columbia River.

CBT serves the residents of the southeast corner of B.C., the region most affected by the CRT dams and reservoirs. The region's boundaries are generally defined by those watersheds which flow into the Columbia River within Canada. CBT supports the efforts of the people of the Columbia Basin to create a legacy of social, economic and environmental well-being. CBT works out of four office locations in Columbia Basin communities: Nakusp, Golden, Cranbrook and the head office in Castlegar.

Core Business Areas

One of the requirements of *Columbia Basin Trust Act* was that CBT had to seek input from Columbia Basin residents on its objectives, priorities, and programs. This guidance from residents is captured in the *Columbia Basin Management Plan*. According to the *Plan*, CBT's two core functions are to:

- invest capital and manage the assets of CBT, and
- spend the income earned from the CBT's investments to deliver benefits to the Columbia Basin.

CBT's investment portfolio has two key components, power projects and non-power investments. CBT provides social, economic and environmental benefits to the Basin in different ways.

Investments

CBT's investments generate the returns that fund various social, economic and environmental benefits in the region each year. CBT manages its overall investment portfolio, but carries out some investments in partnership with other organizations.

The initial funding for non-power investments came from a $45 million endowment provided by the Province of B.C.

Real Estate

CBT has invested in six housing facilities that provide congregate care to seniors of the Columbia Basin. Locations in Castlegar, Cranbrook, Invermere, Fernie, Creston, and Kimberley house 585 living suites and offer a range of care depending on the needs of the resident. Seniors enjoy comfortable housing and compassionate care while maintaining dignity and independence in their daily lives.

Business Loans

Both directly and through partnerships, CBT invests in a number of Basin based business entities. The loans are made in accordance with accepted market terms and are generally secured by real estate.

Income Securities

In order to optimize the return on cash, CBT purchases income producing market securities. The instruments are short term in nature and generate a guaranteed rate of return.

CBT is also a half owner of three major power projects in the Columbia Basin and half owner of the development rights to a fourth power project, also in the Columbia Basin. Columbia Power Corporation (CPC) is the other half owner of these projects and manages them on behalf of the partners.

CBT's investments in the power projects are based on initial funding of $276 million from the Province of B.C.

Arrow Lakes Generating Station

The Arrow Lakes Generating Station is a power plant that consists of two generating units with a capacity of 185 MW that will deliver approximately 770 gigawatt hours of electricity annually. Water enters the power plant via a 1,400 metre approach channel bypassing the existing Hugh Keenleyside Dam. The project also consists of a 49 km 230 kilovolt transmission line that extends from the power plant to BC Hydro's Selkirk substation.

Damage to the intake channel first discovered in May 2004 has been successfully repaired and operations were fully restored in 2006.

Brilliant Dam

The Brilliant Dam includes a power generation facility with a capacity of 145 MW, located on the Kootenay River. The Brilliant Dam was constructed in 1944 and was purchased by CBT and CPC in 1996. Most of the power entitlement for the Brilliant Dam is sold under a 60 year agreement with FortisBC. CBT and CPC have largely completed a multi-year capital program on the project, including upgrades and life extension work for each of the four generating units.

Brilliant Expansion

The Brilliant Expansion Project involves the construction of a 120 MW power generation facility near the existing Brilliant Dam. Construction of this facility is ongoing and is expected to be complete in June 2007.

The commercial operation date is now later than originally expected due to delays in the construction process. The Brilliant Expansion Consortium, consisting of the Skanska-Chant Joint Venture, SNC-Lavalin and Skanska International Civil Engineering, is constructing this project under the terms of a design-build contract.

Waneta Expansion

The Waneta Expansion Project is a proposal to install an additional power generation facility with a capacity of up to 435 MW at the existing Waneta Dam. It is expected that the construction of the Waneta Expansion Project would take place over a three-and-a-half year period. The environmental certification process is well underway and engineering and financial evaluations are currently being carried out to determine the optimal size and capacity of the plant.

Delivery of Benefits

CBT's range of delivery of benefits activities foster the social, environmental and economic well-being of the Columbia Basin, and vary in scope, cost and objective.

CBT develops its delivery of benefits programs in consultation with advisory committees of Columbia Basin residents, who help identify regional priorities, as well as priorities related to specific issues.

In its delivery of benefits programs, CBT frequently partners with other organizations and agencies in the Columbia Basin which have similar interests in the region.

In accordance with the *Columbia Basin Trust Act*, CBT's work in the region does not relieve any level of government of its obligations within the Columbia Basin.

Delivery of benefits activities include:

- Funding social, economic and environmental projects that demonstrate strong community support, build on a community's strengths and encourage growth through the Community Development Program.
- Partnering with each of the five Regional Districts in the Columbia Basin and the Ktunaxa Nation Council who use CBT funds to support projects that are identified as priorities within their communities through the Community Initiatives Program.
- Ensuring long-term water quality and quantity issues in the Columbia Basin region are addressed according to residents' values and views.
- Providing free and expert counselling to businesses through the Basin Business Advocates Program.
- Sponsoring tuition and course fees for short-term training that helps people get jobs through the Training Fee Support Program.
- Funding for Environmental Initiatives in partnerships with The Land Conservancy of BC, Columbia Kootenay Fisheries Renewal Partnership and the Columbia Basin Environmental Education Network.
- Protecting ecologically-sensitive land and maintaining it for a range of community values through the Land Conservation Initiative.
- Helping Columbia Basin youth become engaged community members by supporting youth-driven and youth-selected projects.
- Creating a forum for Columbia Basin youth to connect with one another and exchange information about issues through a magazine and website: www.scratchonline.ca

- Helping address Basin literacy issues through the Columbia Basin Alliance for Literacy.
- Funding for post-secondary education for high school and college students.
- Supporting arts, culture and heritage projects throughout the Basin through the Columbia Kootenay Cultural Alliance.
- Supporting the establishment of community foundations in the Basin by contributing towards their endowment.

For a full list of CBT programs visit our website: www.cbt.org

For more information on our activities related to water initiatives visit:
http://water.cbt.org

Strategic Context

Vision

The Columbia Basin is a place where social, environmental and economic well-being is fostered, where collaborative relationships and partnerships exist among stakeholders and form the basis for social and economic activities, and where the economy is diverse, resilient and energized.

Mission

The CBT supports efforts by the people of the Columbia Basin to create a legacy of social, economic and environmental well-being and to achieve greater self-sufficiency for present and future generations.

Values

The values that govern the management and operations of CBT are:

Inclusiveness
- CBT includes the people of the Columbia Basin in planning and decision-making.

Collaboration
- CBT works with the public and other agencies and organizations.

Respect for diversity
- CBT respect the history and diversity of the people and communities of the Columbia Basin.

Responsibility
- CBT takes into account the Columbia Basin residents' economic, environmental, social and sustainability values. CBT strives to openly and explicitly balance maximizing benefits and minimizing negative impacts.

CBT recently completed a review of these core values, and is currently developing revised core values for the organization, which will appear in the next service plan.

Planning Context and Key Strategic Issues

Investments

CBT's investment priority is opportunities located in the Columbia Basin. Given this is a relatively small market with significant economic reliance on traditional resource sectors, there are challenges in constructing a diversified investment portfolio. CBT therefore attempts to pursue investment opportunities in a range of industries and locations to partially mitigate this exposure.

In order to make quality investments, most often in a competitive environment, efforts are made to form relationships with key financial partners who understand CBT's investment appetite. Establishing these relationships can be a challenge for investment staff given limited resources. Once an investment has been made, an administrative system is developed to ensure investment performance tracks expectations. This represents a continuing challenge as a result of the same resource limitations identified above. In order to mitigate this risk, efforts are made to partner with like-minded investors who have the size and resources to cost effectively administer the investment.

This partnership model has been successfully applied to CBT's power project investment structure where Columbia Power Corporation acts as both investment partner, and power project manager. Although this structure reduces the administrative responsibilities of CBT, it results in significant dependency on Columbia Power Corporation. To reduce associated risks CBT participates on the CPC Board and various joint venture committees, and also actively engages with CPC management.

CBT has also applied this partnership model with success to the investment structure for its congregate care facilities. CBT's partner in congregate care facilities acts as both a part owner and a manager, which results in shared oversight responsibility.

CBT recently conducted a comprehensive review of all aspects of its investment portfolio. In the coming months, CBT expects to deliver an investment policy that is (1) consistent with its mandate (2) relevant in relationship to performance expectations and (3) transparent and available to residents of the Basin.

Delivery of Benefits

This year, CBT conducted an internal scan to determine the main factors that could affect the organization in the coming years. The following are approaches which CBT is undertaking to address the major issues that emerged from this analysis.

CBT has a broad mandate to return social, economic and environmental benefits to the Columbia Basin and each year, CBT returns several million dollars in benefits in Columbia Basin communities. Due to the numerous social, economic and environmental issues in the Columbia Basin, the challenge for CBT is in determining how to best return benefits to the region and accomplish its mission in the most meaningful and effective manner. Over the past year, CBT has been developing its capacity to set strategic priorities so that funding decisions are responsive to the evolving needs of the Columbia Basin.

Another challenge for CBT is in determining the degree to which expenditures have been effective and consistently evaluating ongoing programs. CBT is establishing a framework to evaluate its longer term benefits programs on a scheduled basis to ensure a more comprehensive understanding of how the Columbia Basin was impacted by CBT activities. Such an understanding will help CBT make future funding decisions and compare the end results of its programs to its goals and objectives. Currently, the long running Community Initiatives Program is undergoing an evaluation, and a number of other ongoing programs will be evaluated over the next year.

CBT is also beginning the process of creating indicators of the overall state of the Columbia Basin. These indicators will be useful tools to track progress toward sustainability goals, to report on key social, economic, environmental trends, and to promote dialogue that will improve decision-making and facilitate action. Eventually, these indicators may help CBT understand how its social, economic and environmental initiatives have impacted the region, and provide one means of guiding future decision-making. The development of indicators will also be a useful resource to Basin communities, agencies, organizations and individuals within the region. Over the next year, a number of critical steps will be taken in the development of the prototype phase of this project, including:

- Design of a suitable overall approach for an ongoing State of the Basin model;
- Selection of appropriate social, economic and environment indicators (with valid, available and useful data);
- Development and public review of a prototype indicator report;
- Development of a CBT State of the Basin website where information, interpretation and resources will be available;
- Plans for the ongoing collection and warehousing of data; and
- Recommendations for sustaining and evaluating the State of the Basin initiative in the future.

Finally, CBT recognizes and values the broad range of groups that make up the Columbia Basin, including geographic communities and communities of interest. In the coming year, CBT will increase its engagement with Columbia Basin residents and communities. Each community has its own specific needs and plans, and in order to benefit those communities, CBT must build strong and effective relationships with a variety of community members.

Goals, Strategies, Measures and Targets

CBT primarily uses internal data in the measurement of its performance. Some of the financial data originates with third parties.

Investments

The following outlines goals, strategies, measures and targets that relate to CBT's portfolio of investments, including power assets.

Goal

CBT's investment program goal is to generate a predictable, sustainable, and appreciating income stream to fund delivery of benefits obligations and corporate operating expenses.

This has been changed from previous service plans to clearly link the primary function of the investment program (generation of income) to delivery of benefits.

Investment Guidelines

1. CBT adheres to the principles of a prudent investor and requires investment returns commensurate with the level of risk assumed.
2. The investment priority will be opportunities located in the Columbia Basin region.
3. CBT believes the best performing and most profitable investments are those that maintain high ethical and environmental standards, and commit to the principles of strong corporate governance.
4. Notwithstanding CBT's large investment in hydroelectric projects, efforts will be made to diversify non-power investments by industry and location.
5. CBT values financial partnerships and when possible, will undertake investments in cooperation with other organizations.

Strategies

1. Communicate directly with financial partners throughout the Basin in order to originate high quality investment opportunities.
2. Develop strong working relationships with the management of companies in which CBT has invested in order to fully appreciate risk, as well as uncover future opportunity.
3. Identify and develop investment programs that target areas of quality opportunity not otherwise addressed by conventional lenders.
4. Remain fully engaged with management of CPC during the pre-development and operating phases of our jointly held power projects.
5. Complete development and implementation of a new investment policy that supports the goal identified above.

Guidelines/Strategies have been changed from previous service plans to reflect the recommendations arising from CBT's comprehensive review of the investment portfolio.

Measures	**Actual**	**Forecast**		**Targets**	
	2005/06	**2006/07**	**2007/08**	**2008/09**	**2009/10**
Nominal annual return on non-power investments	2.9%	6%	6%	6%	6%

Financial performance benchmarks are currently under development for the power assets.

Delivery of Benefits

Goal

CBT's goal is to deliver benefits which serve to strengthen the social, economic and environmental well-being of the Basin, its residents and communities. These benefits are delivered through CBT's range of programs, projects and strategic initiatives.

Strategies

1. Engage in communities throughout the Columbia Basin to help them address their needs.
2. Work with advisory committees in social, economic, environmental, water and youth areas to identify strategic priorities.
3. Develop tools for assessing the social, economic and environmental State of the Columbia Basin.
4. Establish and implement an evaluation schedule of delivery of benefits programs and use the results to help guide future funding decisions.
5. Ensure information is available on its programs to Columbia Basin residents through staff and the website, www.cbt.org, and develop and implement a communications strategy.

Strategies have been changed from previous service plans to reflect the current and future direction of CBT's approach to delivery of benefits.

Measures	**Actual**	**Forecast**		**Targets**	
	2005/06	**2006/07**	**2007/08**	**2008/09**	**2009/10**
Benefits delivered by projects / programs	Three programs evaluated	One program evaluated	At least one program evaluated	At least one program evaluated	At least one program evaluated

	CBT defined the next steps for its State of the Columbia Basin work (this work entails developing indicators on the social, economic and environmental State of the Columbia Basin)	Continue development of prototype indicator report on the social, economic and environmental state of the Columbia Basin	Public review of prototype indicator report, review and revise where necessary	Set target in 2007/08	Set target in 2007/08

The challenge for CBT is to create measures for its delivery of benefits programs that indicate how CBT's work is strengthening the overall social, economic and environmental well-being of the Columbia Basin. By committing to evaluating at least one program a year, CBT will receive valuable information about the impact of its funding on Columbia Basin residents. CBT keeps records of all of its evaluation work and those evaluations will be considered when CBT annually reviews its delivery of benefits programs. CBT's second target relates to the process of collecting information on the current state of Columbia Basin. By first collecting and analyzing this information, CBT aims to eventually be able to set a baseline for its performance and measure its long-term impact on the Columbia Basin.

The forecast for 2006/07 and target for 2007/08 have been revised to clarify that the main focus of CBT's State of the Basin work in that time span is to develop a prototype indicator report.

Corporate

Corporate operations at CBT support the two core business areas, investments and delivery of benefits. Corporate operations include management, accounting, administration, information technology and human resources. The effective and efficient operation of each of these functions ensures that CBT is able to run its investments and delivery of benefits programs. The Province is providing $2 million per year for CBT's operating costs until 2010/11.

Goal

CBT's goal is to support and enable the effective management of the investments and delivery of benefits programs.

Strategies

1. Review and revise financial management policies.
2. Implement a new human resources framework.
3. Develop tools to identify, assess and address risks and opportunities.

Strategies have been changed from previous service plans as a result of a CBT review of existing policies and practices related to corporate operations.

Measures	Actual	Forecast	Targets		
	2005/06	**2006/07**	**2007/08**	**2008/09**	**2009/10**
Corporate operations as a percentage of revenues	27%	25%	25%	22%	20%

CBT prepares forecasts of its revenues and corporate operations costs quarterly and is able to report out on its actual performance after fiscal year end and once the external audit is complete. CBT forecasts are affected by information provided by CPC relating to the power projects.

CBT recently made changes to its financial statement presentation of revenues and expenses. Previously, all expenses incurred at a subsidiary level of CBT were netted off their respective revenue category. CBT now presents all revenues on a gross basis and then deducts all the consolidated operating expenses on a line by line basis. The intent of this new format is to provide a reader of the financial statements with a better understanding of all the expenses incurred that are within control of CBT management.

As a result of these changes in financial statement presentation, the measure "corporate operations as a percentage of revenues" now reflects expenses which used to be netted off from CBT revenues. The actual percentage for 2005/06 has therefore increased from what was previously reported, 21%, to 27%. In the future, this percentage is expected to stabilize at around 22% to 20% of total revenues. The future targets also reflect the changes in financial statement presentation.

Summary Financial Outlook

Table 1. CBT Summary Financial Information

(Not audited, in thousands)	2005/06 Actual	2006/07 Forecast	2007/08 Forecast	2008/09 Forecast	2009/10 Forecast
Revenues					
Deposits and Securities	$563	$800	$1,000	$1,000	$1,000
Business Loans	881	885	880	885	875
Real Estate	473	294	235	882	912
Power Projects	3,232	12,122	13,242	15,881	17,358
Contribution from Province	12,110	2,000	2,000	2,000	2,000
Total Revenues	**17,259**	**16,101**	**17,357**	**20,648**	**22,145**
Expenditures					
Corporate Operations	4,630	3,992	4,267	4,500	4,500
Delivery of Benefits	4,156	5,000	7,000	10,000	15,000
Total Expenditures	**8,786**	**8,992**	**11,267**	**14,500**	**19,500**
Net Income	**$8,473**	**$7,109**	**$6,090**	**$6,148**	**$2,645**

Power project revenues are expected to increase significantly once the Brilliant Expansion Project is in operation. Forecasts reflect recoveries of Arrow Lakes Generating Station channel repair costs as agreed to with the project's insurer but do not include recoveries from other parties given uncertainties regarding their amount and timing. Beginning in 2007/08, total revenues are forecasted to be in excess of $17 million and net income is expected to exceed $6 million. This may allow CBT to substantially increase delivery of benefit disbursements in the following years, provided there are no unforeseen events associated with the completion of the Brilliant Expansion Project and the Arrow Lakes Generating Station. The forecasts of net income for 2008/09 and 2009/10 will allow CBT to increase delivery of benefits to $10 million and $15 million in those fiscal years. It is also assumed that there will be no write-downs or write-offs of non-power investments.

The forecasts for the delivery of benefits shown for the next three fiscal years are subject to significant risks and assumptions. The total amount budgeted for delivery of benefits in a given fiscal year is confirmed by CBT just prior to the start of that fiscal year.

Revenues

Key Assumptions	Forecast Risks and Sensitivities
• Deposits and Securities Income: 4% interest earned per annum	• Fluctuating interest rates have a direct effect on the income from deposits and securities. • A 1% rate change would have a $300,000 impact on revenue earned from deposits and securities.
• Business Loans Income: 7% earned per annum	• Fluctuating interest rates have a direct effect on the income from business loans. • A 1% change in market interest rates would have a $50,500 impact on revenue earned from business loans.
• Business Loans: No write-downs	• Changes in the economic environment influence the performance of business loans. • A negative material change in economic activity could result in business loan write-downs.
• Brilliant Expansion Project: Forecasted completion in the summer of 2007	• Project construction has been delayed by 10 months. Further delays are possible. • The delay has resulted in a loss of power revenues previously forecasted.
• Brilliant Expansion Project: Contractor claim	• A significant claim has been received from the contractor. • No provision has been made for the claim as it is considered unfounded, but the outcome cannot be forecast with certainty.
• Waneta Expansion Project: Construction forecasted to commence in the spring of 2008	• Project studies are in process and final approval will be subject to environmental, economic and industry feasibility.

Expenditures

Key Assumptions	Forecast Risks and Sensitivities
- Corporate Operations	- Current staffing levels are expected to be sufficient for the administration of increased delivery of benefits funds.
- Delivery of Benefits: $7 million distributed in the Basin in 2007/08	- Financial contributions by CBT to organizations are subject to certain conditions. If these conditions are not met, funds are not released by CBT. - Some CBT programs are not able to use all of the funds provided in a given fiscal year. Funds are then carried over to the next fiscal year, and programs are reassessed.

Table 2. CBT Consolidated Capital Spending

(Not audited, in thousands)	2005/06 Actual	2006/07 Forecast	2007/08 Forecast	2008/09 Forecast	2009/10 Forecast
Arrow Lakes Power Corporation					
Arrow Lakes Generating Station	$3,242	$2,242	$428	$280	$324
Brilliant Expansion Power Corporation					
Brilliant Expansion	11,483	5,521	7,160	$570	$578
Power Project Planning					
Waneta Expansion	2,028	2,560	4,313	$70,459	$96,339
Other Projects	-	65	200	$65	$65
General Power Project Planning	-	200	200	$200	$200
Brilliant Power Corporation					
Brilliant Sustaining Capital/Upgrades	926	1,840	2,294	$2,220	$1,746
CBT Corporate					
Computers, furniture, equipment	268	185	185	300	300
Total	**$17,947**	**$12,728**	**$14,925**	**$74,157**	**$99,651**

Table 3. Employees

CBT Business Area	Employees
Investments	**2.0**
Delivery of Benefits	**16.5**
Corporate	**14.0**
Total	**32.5**

Governance

Board of Directors

A board of twelve directors governs CBT. The five regional districts of the Columbia Basin and the Ktunaxa Nation Council each nominate a minimum of one and a maximum of four directors and the Province of B.C. nominates the remaining six directors. The Lieutenant Governor in Council makes all of the final appointments to the Board. All directors must reside in the Columbia Basin.

Governance Principles

In governing CBT, the Board of Directors is committed to upholding the core values of CBT, and is also committed to acting in accordance with the following principles:

Preparation

> Directors will ensure they are fully prepared to address the business of CBT.

Transparency

> To the greatest extent possible, the actions and decisions of CBT, including those of the Board of Directors, will be transparent and open to Columbia Basin residents.

Participation and Commitment

> Directors will ensure they participate fully as Directors and are capable of meeting their commitments to CBT.

Service

> The Board of Directors will act in the best interests of CBT, which serves the Columbia Basin region as a whole.

Directors

Josh Smienk, Chair
Denise Birdstone
Greg Deck
Ron Oszust

Garry Merkel, Vice Chair
Dieter Bogs
Ron Miles
Mike Rouse

Mike Berg
Evelyn Cutts
Jim Miller
Jeannette Townsend

Board Committees

CBT's Board of Directors currently has two standing committees, the executive committee and audit committee. There are also three program committees of the Board, responsible for different areas of CBT's work. Members of Board committees are chosen for their expertise and experience relevant to the committee's mandate.

The **Executive Committee** oversees matters on behalf of the Board of Directors.

Members

Josh Smienk, Chair
Garry Merkel, Vice Chair
Greg Deck
Ron Oszust
Mike Rouse

The **Audit Committee** is responsible for financial oversight and ensures that CBT's financial information is accurate.

Members

Mike Berg, Chair
Ron Miles
Jeannette Townsend

The **Investment Committee** oversees the management of CBT investments and develops and reviews investment policies and procedures.

Members

Mike Rouse, Chair
Greg Deck
Jim Miller
Josh Smienk

The **Delivery of Benefits Committee** recommends an overall approach to returning benefits to the Board, and is responsible for the administration of the CBT Community Development Program.

Members

Ron Oszust, Chair
Evelyn Cutts, Vice Chair
Denise Birdstone
Dieter Bogs
Ron Miles
Josh Smienk

The **Water Initiatives Committee** is responsible for developing and overseeing a strategy to address water initiatives in the Columbia Basin.

Members

Garry Merkel, Chair
Dieter Bogs
Evelyn Cutts
Josh Smienk
Ron Oszust
Jeannette Townsend

Senior Management

Neil Muth, President & CEO
Bob Krysac, VP, Finance & Operations
Wally Penner, VP, Community Partnerships
Johnny Strilaeff, VP, Investments

Boards of CBT Subsidiaries

For commercial and legal reasons, CBT has a number of subsidiaries that hold its interests both in power projects and other investments. The boards of these subsidiaries do not address policy matters, which are the responsibility of the CBT Board.

The following members of senior management at CBT are the directors of each CBT subsidiary.

Neil Muth
Bob Krysac
Johnny Strilaeff

CBT Commercial Finance Corp. holds CBT interests in business loans.

CBT Real Estate Investment Corp. holds CBT interests in real estate.

CBT Venture Capital Corp. holds CBT's interests in existing venture capital investments. CBT is not currently pursuing any new venture capital investments.

CBT Energy Inc. (CBTE) is the main CBT subsidiary related to power projects.

CBT Arrow Lakes Power Development Corp. is a subsidiary of CBTE and holds interests in the Arrow Lakes Generating Station joint venture with CPC.

CBT Brilliant Expansion Power Corp. is a subsidiary of CBTE and holds its interests in the Brilliant Expansion joint venture with CPC.

CBT Power Corp. is a subsidiary of CBTE and holds interests in the Brilliant Dam joint venture with CPC. CBT Power Corp. also holds interests in the Power Project Joint Venture with CPC, which is responsible for assessing joint venture power projects before they are developed.

For more information on CBT governance practices, visit www.cbt.org.

Reporting Relationship with the Province of B.C.

CBT is a Crown corporation subject to the *Budget Transparency and Accountability Act* and is within the Minister of Economic Development's portfolio.

In the summer of 2006, CBT and the Minister of Economic Development agreed to the Shareholder's Letter of Expectations, which confirmed the roles and responsibilities of each, and identified specific actions. CBT activities have been consistent with those actions. To view the Shareholder's Letter of Expectations, visit www.cbt.org.

Alignment with the Province of B.C.'s Strategic Plan

CBT supports each of the Province's five goals for British Columbians, in cases where the goals correspond to CBT's regional priorities.

CBT Activities	Provincial Goals
CBT continues to support family literacy programs throughout the Columbia Basin and provide tuition for short-term courses that lead to employment. CBT has also recently expanded the scholarships it offers to high school students to include awards for mature students attending college in the Columbia Basin.	Make B.C. the best educated, most literate jurisdiction in North America
In the last year, CBT supported a number of upgrades to existing recreational facilities and parks in the region.	Lead the way in North America in healthy living and physical fitness
CBT increased its investments in seniors' housing projects, including a new investment in a Kimberley facility that will provide accommodation for low-income seniors.	Build the best system of support in Canada for persons with special needs, disabilities, children at risk and seniors
CBT's power projects produce green power using a renewable resource and improve fish habitat downstream. CBT also supports a number of significant environmental projects in the region. In the last year, CBT sponsored a major water conversation symposium.	Lead the world in sustainable environmental management, with the best air and water quality, and best fisheries management, bar none
A number of CBT investments create jobs in the Columbia Basin, whether during construction at Brilliant Expansion or during the operation of seniors' housing projects. CBT also continues to fund free one-on-one counseling for small and medium businesses, employers within the region.	Create more jobs per capita than anywhere else in Canada

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COLUMBIA POWER CORPORATION

SERVICE PLAN
2007/08–2009/10

February 2007

COLUMBIA
POWER
CORPORATION

BRITISH
COLUMBIA
The Best Place on Earth

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Honourable Richard Neufeld
Minister of Energy, Mines and Petroleum Resources

Dear Minister Neufeld:

I am pleased to submit Columbia Power Corporation's 2007/08–2009/10 Service Plan.

Columbia Power Corporation is wholly owned and controlled by the Province of British Columbia. As an agent of the Province, Columbia Power Corporation develops and operates power projects in the Columbia Basin, on a joint venture basis with the Columbia Basin Trust. Columbia Power Corporation is the joint venture manager. Returns from Columbia Power Corporation's 50% share of power projects are available to be distributed to the Province of British Columbia. Returns from the Columbia Basin Trust's 50% share of power projects are available to provide benefits to the people of the Columbia Basin in accordance with the *Columbia Basin Trust Act*.

Columbia Power Corporation oversees the operations of the Brilliant powerplant and Arrow Lakes Generating Station and the construction of the Brilliant Expansion. Project planning environmental permitting is underway for the Waneta Expansion. Most of the power generated at the current operating projects is committed under long-term sales contracts to two utilities, FortisBC Inc. and BC Hydro. Two long-term contracts with BC Hydro are also in place for the sale of 90% of the output of the Brilliant Expansion.

In 2005 and 2006, Columbia Power Corporation engaged the services of Haddon Jackson Associates, Inc., a leading management consulting firm specializing in hydro performance improvement, to provide benchmarking services that would compare the power project operating and maintenance performance of Columbia Power Corporation against that of similar facilities across North America. In all major areas, Columbia Power Corporation/Columbia Basin Trust powerplants performed well compared with their peers, and the Brilliant dam and powerhouse was awarded "leading performer" status in the plant maintenance category in 2005 and 2006.

The Brilliant dam, powerhouse and terminal station continue to perform at a high level, with earnings from these assets maintaining their upward trend. Profits of the Brilliant powerplant have been enhanced through a new short-term power sales agreement with Powerex Corp.

On May 3, 2004, Columbia Power Corporation discovered damage to the concrete lining of the Arrow Lakes Generating Station approach channel following unstable hydraulic conditions. Power generation was suspended while emergency repairs were performed to ensure the structural integrity of the channel and the adjoining structures. Interim repairs were then made to allow power generation to resume safely in August 2004. Permanent channel repairs began in late 2005 and commercial operation resumed in May 2006. Forecasts and targets reflect recoveries of Arrow Lakes Generating Station channel repair costs as agreed to with the project's insurer, but do not include recoveries from other parties, given uncertainties regarding their amount and timing.

The $205 million Brilliant Expansion is now more than three years into construction. As a result of construction delays, achievement of commercial operation (originally scheduled for August, 2006) is now scheduled for June 2007. A portion of the capital spending of the $205 million Brilliant Expansion budget will be deferred to 2007/08 due to the delay in completing construction.

Development phase activities for the Waneta Expansion during 2006/07 focused on the review of the project's Environmental Assessment Certificate Application and on inviting Expressions of Interest from qualified engineer/constructor teams.

Columbia Power Corporation develops and operates Columbia Power Corporation/Columbia Basin Trust power projects (the "power projects") on a commercial basis, as an independent power producer. The power projects raise financing using limited-recourse project debt and without a provincial debt guarantee. The power projects utilize existing dams and harness water that would otherwise be spilled creating significant net environmental benefits. Being on international rivers, the power projects are permitted, built and operated in a very difficult environmental regulatory system, which includes federal and provincial regulators, an international treaty and local, regional, aboriginal and United States stakeholders. The power projects operate in a domestic power market where there is a single dominant wholesale purchaser and constrained long-term firm transmission capacity to adjacent power markets in Alberta and the U.S. Pacific Northwest. Accordingly, Columbia Power Corporation must be efficient and innovative to achieve its goals and objectives.

The key risks to Columbia Power Corporation's development activities include the escalating costs of construction, the availability of labour, the price of future power sales and the cost of financing, which could all have an impact on the commercial viability of the Waneta Expansion.

The design-build contractor of the Brilliant Expansion has submitted a significant claim against the project. Columbia Power Corporation believes the claim is unfounded, but the outcome cannot be forecast with certainty.

Agreement has been reached with the insurer regarding coverage for the 2004 channel damage. The final financial impact of the channel damage will be determined in the course of recovery action against the design-build contractor.

Over the period 2007/08 to 2009/10, the Columbia Power Corporation/Columbia Basin Trust power projects are expected to generate $103 million in net income and pay an additional $41 million in taxes and water rentals.

The short-term goals of Columbia Power Corporation include: pursuing the recovery of the Arrow Lakes channel repair costs; completing construction and managing claims of the Brilliant Expansion; and advancing development of the Waneta Expansion sufficiently to allow a decision to be made on project construction.

Columbia Power Corporation's 2007/08–2009/10 Service Plan was prepared under my direction and in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with the *Shareholder's Letter of Expectations* and the Province's Goals. All significant assumptions, policy decisions and identified risks, as of January 26, 2007, have been considered in preparing the plan. I am accountable for ensuring that Columbia Power Corporation achieves the specific objectives identified in the plan and for measuring and reporting actual performance.

Yours truly,

Lee Doney
Board Chair

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www.columbiapower.org/2008_appendix_a.pdf

Appendix B Benchmarking, Operating, Maintenance and Administration
www.columbiapower.org/2008_appendix_b.pdf

COLUMBIA POWER CORPORATION

SERVICE PLAN
2007/08–2009/10

1.0 Organizational Overview

1.1 Introduction

Columbia Power Corporation is a Crown corporation wholly owned and controlled by the Province of British Columbia, existing under the *Business Corporations Act* and reporting to the Minister of Energy, Mines and Petroleum Resources. Under the terms of its agency agreement with the Province, Columbia Power Corporation must obtain the approval of the Province's Treasury Board for all budgets and material decisions. Its mission is to efficiently develop and operate commercially viable, environmentally sound and safe power project investments for the benefit of the Province and the residents of the Columbia Basin. In making power project investments, Columbia Power Corporation's goal is to support the employment, economic development and resource management objectives of the Province and the Columbia Basin Trust, within the constraints of a commercial enterprise.

Columbia Power Corporation undertakes power projects through joint ventures with subsidiaries of the Columbia Basin Trust and manages the joint ventures. Columbia Power Corporation is a small organization, with fewer than 45 full-time equivalent positions, located in Castlegar and Victoria. The Corporation focuses on asset management activities while engaging private-sector firms to provide construction, plant operation and specialist consulting services. Through its joint ventures, Columbia Power Corporation is one of the largest producers of electricity in British Columbia.

Columbia Power Corporation oversees the operations of the Brilliant powerplant and Arrow Lakes Generating Station, and the construction of the Brilliant Expansion. Environmental permitting is being pursued for the Waneta Expansion and the design-evaluate-build process (see Section 1.4) is underway. Most of the power generated at the current operating projects is committed under long-term sales contracts to two utilities, FortisBC Inc. and BC Hydro. Two long-term contracts with BC Hydro are also in place for the sale of 90% of the output of the Brilliant Expansion. Returns from Columbia Power Corporation's 50% share of the power projects are available to be distributed to the Province. Returns from the Columbia Basin Trust's 50% share of the power projects are available to be used by the Columbia Basin Trust to provide benefits to the people of the region, in accordance with the *Columbia Basin Trust Act*.

1.2 Historic Context

In 1964, Canada and the United States ratified the *Columbia River Treaty* (the "Treaty") Under the Treaty, Canada, through the Province of British Columbia, agreed to build three new storage dams in the Canadian section of the Columbia River: Duncan (1968), Keenleyside (1969) and Mica (1973). The purpose of the new dams was to create 15.5 million acre-feet of water storage that would control flooding in Washington and Oregon and allow hydroelectric facilities in these states to produce about 2,000 megawatts of additional electricity capacity (BC Hydro has about 11,000 megawatts of capacity). This additional power is referred to as the downstream benefits. In exchange, the Province received $64.4 million plus one-half the downstream benefits, which it sold to a consortium of United States utilities for a period of 30 years from the completion dates of the three Canadian dams.

The construction of the three Treaty dams brought current and future financial benefits to the Province, but also significant economic, environmental and social costs to the residents of the Columbia Basin, both at the time and on an ongoing basis. Approximately 2,300 residents were displaced, communities were lost, lands were expropriated and properties were flooded. There continue to be negative environmental effects from reservoir and river-flow fluctuations.

In 1995, the Province, through legislation and contractual arrangements, created a unique model in recognition of the costs borne by the Columbia Basin as a result of the Treaty dams. Through the Columbia Basin Initiative, the Province agreed to allocate a share (about 8%) of the value of future downstream benefits sales to the region. The mechanisms of the Columbia Basin Initiative were the *Columbia Basin Trust Act*, which created the Columbia Basin Trust, and the 1995 Financial Agreement between the Province and the Columbia Basin Trust, which set out the terms for the regional funding allocation.

Under the *1995 Financial Agreement* (the "Financial Agreement"), the Columbia Basin Trust and Columbia Power Corporation each received $250 million over 10 years to provide equity for qualifying power project developments in the region. Three core projects were designated: Keenleyside (subsequently renamed Arrow Lakes Generating Station); Brilliant Expansion; and Waneta Expansion. The Brilliant Expansion and Waneta Expansion make use of development rights purchased by Columbia Power Corporation in 1994 from Cominco Ltd. (now Teck Cominco Metals Ltd.). Other generation, distribution and transmission projects can be carried out by Columbia Power Corporation and the Columbia Basin Trust provided both parties agree and the projects meet the same commercial and other tests as the core projects.

In 1996, the joint venturers made their first investment with the purchase of the Brilliant dam and powerplant from Teck Cominco Metals Ltd. and subsequently carried out a substantial sustaining capital and upgrade program. Construction of the Arrow Lakes Generating Station began in 1999 and start-up was achieved in 2002. Construction of the Brilliant Expansion began in 2003, with start-up scheduled for 2007.

1.3 Mandate, Vision and Values

In January 2005, the Province confirmed the mandate of Columbia Power Corporation to continue, as manager of the joint ventures with the Columbia Basin Trust, to plan, develop and operate power projects.

The mandate, vision and values of Columbia Power Corporation are presented below.

Mandate

- Develop core hydroelectric projects and other qualifying generation, transmission and distribution projects in the Columbia Basin.
- Earn an acceptable rate of return given the risks.
- Finance power projects using the government's equity contributions, retained earnings and limited-recourse project debt, without government debt guarantees.
- Promote employment, economic development and new industry through environmentally sound, cost-competitive power project investment.

Vision

To be a respected, continually improving company that maximizes shareholder value by developing and operating power projects in a socially and environmentally responsible manner, achieving the development objectives of the Province and the Columbia Basin.

Values

- Efficiency in the use of scarce resources.
- Good value for money for the Province and the Columbia Basin.
- Socially responsible decision-making, to the extent possible, guided by the market.
- Proactive and economically responsible environmental management.
- Respectful employment practices.

1.4 Business Model

The business of Columbia Power Corporation is to plan, develop and operate commercially viable, environmentally sound and safe power projects in the Columbia Basin. In carrying out its business, Columbia Power Corporation relies, to a great extent, on the private sector. Project planning, design, financing, construction, operation and power sales involve private-sector firms wholly or in part. As a Crown corporation, Columbia Power Corporation follows a public-private partnership model for the design, procurement and operation of the joint venture power projects. This allows Columbia Power Corporation to properly allocate and manage risks and realize innovation and efficiency through competition. The model has five distinct components: design, evaluate, build, operate and manage.

Design
The design component involves the assessment of overall engineering, financial, economic and environmental feasibility. This includes the base engineering design, capital cost estimates, market price forecasts, stakeholder consultations, regulatory submissions and solicitation of contractor interest. It concludes with an initial go/no-go feasibility decision followed by a design-build competition. This component is largely carried out by Columbia Power Corporation with its consultants.

Evaluate
In this component, all of the design-build bids are assessed, along with power sales agreements and environmental permits, to determine if a project can proceed and if a design-build contract can and should be executed. Columbia Power Corporation, on behalf of the joint venture, is responsible for this evaluation and due diligence.

Build
With the signing of a design-build contract, many responsibilities are transferred to the design-build contractor. Columbia Power Corporation, however, engages an "Owner's Consultant" to ensure compliance with contract terms, including monitoring of quality control and environmental permit requirements.

Operate
Once a project has been completed and commissioned, operations and power sales begin and further due diligence is undertaken to ensure all deficiencies are resolved and the facility is "fit for purpose." Columbia Power Corporation has in-house engineers knowledgeable in plant operations and maintenance, but has chosen (for cost and efficiency purposes) to engage a contractor to operate and maintain the joint venture's plants, with oversight by Columbia Power Corporation. The contractor is responsible for a number of activities, including compliance with dam safety and environmental requirements.

Manage
Columbia Power Corporation, the manager for the joint ventures, is responsible for all activities in the business model components: negotiating and administering agreements; raising financing; paying lenders; paying taxes; complying with approvals; employing qualified staff and advisors; and, above all, serving the public interest.

The Columbia Power Corporation business model is shown in Figure 1.

Figure 1: CPC Business Model

Business Components	**Design**	**Evaluate**
Responsibility	CPC	CPC
Key Activities	• Determine financial/ technical feasibility • Communicate with community and First Nations • Environmental and other assessments	• Assess competing proposals from contractors • Assess feasibility • Negotiate contracts
Key Products	Initial Plans: • Financial • Marketing • Engineering • Community/First Nations • Environmental • Requests for proposals	Updated Plans: • Financial • Marketing • Engineering • Community/First Nations • Environmental • Updated go/no-go decision
Outcomes	• Initial go/no-go decision • Balance achieved between capital and dividend requirements	• Signed contracts • Clear expectations • Risks assessed, allocated
Results	Value for money/profitability Stakeholder support Environment protected	

Build	**Operate**	**Manage**
Contractors	Contractors	CPC
• Oversee construction • Carry out construction • Follow up on commitments • Related sub-projects	Conduct: • maintenance • upgrades • dispatch	Manage: • financial and regulatory concerns • contract administration • human resources • joint venture interface
• Compliance • Studies and reports • Stakeholder communications	• Generation • Power sales	• Budgets • Expenditures • Debt issues • Regulatory compliance
• Projects completed to specifications • Construction employment/income	• Efficient, reliable plant operations • Ongoing environmental benefits • Cash flow	• Cost-effective operations • Dividends • Shareholder value • Joint venture value

Risks managed

Motivated, skilled staff

Regulatory compliance

In carrying out its business model, Columbia Power Corporation has two roles:

- It is an owner with a 50% interest, along with the Columbia Basin Trust, in joint venture power projects. Power projects are established as separate corporations for the purpose of securing limited-recourse commercial project financing without provincial debt guarantees.
- It is the manager for the joint ventures. The corporate structure of the joint ventures is shown in Figure 2.

1.5 Key Relationships

The joint venture power project companies owned by Columbia Power Corporation and the Columbia Basin Trust are wholesalers of power, primarily under long-term purchase agreements with regulated utilities. A 12 year power purchase agreement (expiring in 2015) is in place with BC Hydro for the output of the Arrow Lakes Generating Station; a 60 year power purchase agreement (expiring in 2056) is in place with FortisBC Inc. for most of the output of the Brilliant dam; and two 20 year purchase agreements (expiring in 2027 and 2030) are in place with BC Hydro for 90% of the output of the Brilliant Expansion.

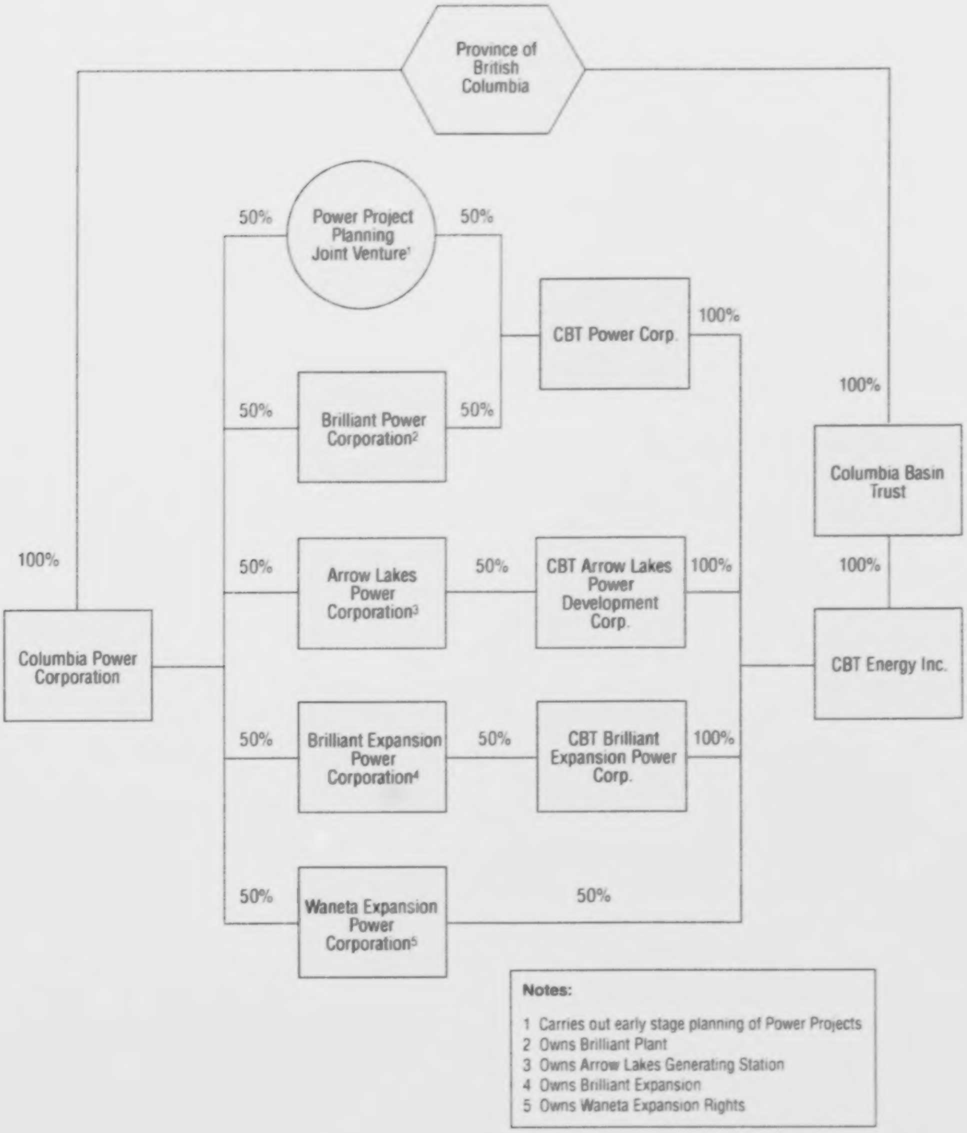
The joint venture hydroelectric projects have, or will have, power "entitlement agreements" with BC Hydro. These agreements provide the power projects with predetermined monthly energy and capacity quantities based on historic stream flows and the flow-versus-output characteristics of each plant. The entitlement agreements remove hydrology risk, making the projects more attractive to power purchasers and lenders. BC Hydro controls the overall hydroelectric system in the Columbia-Kootenay region, allowing it to optimize power production for the system as a whole. BC Hydro is also compensated for the assumption of hydrology risk by being entitled to keep a small share of the average annual energy produced. BC Hydro has similar arrangements with FortisBC Inc. and Teck Cominco Metals Ltd.

The Arrow Lakes Generating Station was constructed by Peter Kiewit Sons Co. under a fixed-price design-build contract. Final acceptance has not been achieved. Peter Kiewit Sons Co. was also contracted to perform the channel permanent repair work.

The Brilliant Expansion is being constructed by the Brilliant Expansion Consortium, composed of Skanska-Chant and SNC-Lavalin Inc., under a fixed-price design-build contract.

The Brilliant dam, the related Brilliant terminal substation and the Arrow Lakes Generating Station are operated and maintained by FortisBC Inc. or a related entity under contract. A similar operation and maintenance contract is contemplated for the Brilliant Expansion. FortisBC Inc. also operates and maintains Teck Cominco Metals Ltd.'s Waneta powerplant and its related transmission facilities.

Figure 2: Corporate Structure of the CPC/CBT Joint Ventures


Province of British Columbia
100%
Columbia Power Corporation
100%
Columbia Basin Trust
100%
CBT Energy Inc.
50%
Power Project Planning Joint Venture[1]
50%
CBT Power Corp.
100%
50%
Brilliant Power Corporation[2]
50%
50%
Arrow Lakes Power Corporation[3]
50%
CBT Arrow Lakes Power Development Corp.
100%
50%
Brilliant Expansion Power Corporation[4]
50%
CBT Brilliant Expansion Power Corp.
100%
50%
Waneta Expansion Power Corporation[5]
50%

Notes:

1 Carries out early stage planning of Power Projects
2 Owns Brilliant Plant
3 Owns Arrow Lakes Generating Station
4 Owns Brilliant Expansion
5 Owns Waneta Expansion Rights

1.6 Planning Context and Key Strategic Issues

Columbia Power Corporation has a mandate to develop and operate powerplants at existing dams on the Columbia, Kootenay and Pend d'Oreille Rivers using water that would otherwise be spilled. The three "core" new power projects (the Arrow Lakes Generating Station; Brilliant Expansion, and Waneta Expansion) have relatively low capacity utilization factors and rely primarily on spring run-off water and upstream flow regulation. While these new power projects create significant net environmental benefits in the form of increased greenhouse gas offsets and reduced dissolved gases harmful to fish, it can be difficult to translate these benefits (particularly benefits to fish) into higher power prices. The joint venture power projects operate in a domestic power market where there is a single dominant wholesale purchaser and constrained long-term firm transmission capacity to adjacent power markets in Alberta and the U.S. Pacific Northwest. Accordingly, Columbia Power Corporation, as joint venture manager, must be efficient and innovative to achieve its goals and objectives.

The expertise of Columbia Power Corporation staff and their relationships with private-sector engineering, environmental, financial and legal advisors are critical to the success of the Corporation.

The Brilliant powerplant, Brilliant terminal station and the Arrow Lakes Generating Station are operated and maintained by FortisBC Inc. or its related company under long-term service agreements. Negotiations are underway for FortisBC Inc. to provide operating and maintenance for the Brilliant Expansion once completed. FortisBC Inc. is an integrated electric utility with approximately 500 employees that generates, transmits and distributes electricity throughout South Central British Columbia and serves approximately 150,000 customers. FortisBC Inc.'s operating and maintenance experience and capacity are key to future plant operations.

Columbia Power Corporation develops and operates the joint venture power projects using limited-recourse project debt without a provincial debt guarantee. Like independent power producers, the power project joint venture companies sell into the wholesale power market, primarily under long-term purchase agreements with regulated utilities. Most of the power from the Brilliant dam is sold to FortisBC Inc. under a 60 year purchase agreement that expires in 2056. This agreement provides for approved capital and operating costs, including reasonable increases in those costs over the term of the agreement, to be passed through to FortisBC Inc. with approved capital expenditures earning a pre-determined rate of return on equity. There is also a provision for market-based price adjustments beginning in the 30th year of the agreement. Power from the Arrow Lakes Generating Station is sold to BC Hydro under a 12 year purchase agreement that expires in 2015, and about 90% of the power from the Brilliant Expansion is sold to BC Hydro under two 20 year purchase agreements that expire in 2027 and 2030. These agreements have provisions for the contract price to escalate, but otherwise are fixed-priced.

The key strategic issues facing Columbia Power Corporation include:

- Obtaining federal and provincial approvals, permits and licences to develop and operate power projects on international rivers within a complex environmental regulatory system, which includes federal and provincial regulators, an international treaty and local, regional, United States and First Nations stakeholders.

- Developing regional support for the joint venture power projects through consultation with local and regional community stakeholders, negotiating land issues with owners and addressing First Nations issues related to the power projects.

- Securing power sales contracts in a domestic market where the joint venture power projects represent a relatively low-cost source of new power supply, where there is one dominant wholesale buyer; and where retail access to large ("transmission voltage") customers is being developed but not yet a practical reality.

- Accessing a promising market in the United States for green power in the face of ongoing constraints on the availability of long-term firm transmission capacity on both the British Columbia and United States sides of the border.

- Adjusting to a higher Canadian dollar, which has lowered the value of power exports to the United States market; and to higher construction, machinery and equipment costs, which have increased in response to escalating labour rates and global prices for commodities such as concrete, steel, copper and fuel.

- Developing a plan to finance the construction of Waneta Expansion utilizing the substantial borrowing capacity of the existing projects, managing the uncertainty of future interest rates (thus the cost of debt financing), and determining the appropriate capital structure for the joint ventures.

- Implementing a human resource strategy to ensure appropriate succession planning, recruitment and staff retention for Columbia Power Corporation with an aging population and in a labour market that is expected to become increasingly competitive.

- Determining the appropriate long-term strategic direction for Columbia Power Corporation beyond the development of the Arrow Lakes Generating Station, Brilliant Expansion and Waneta Expansion.

- Pursuing recoveries related to Arrow Lakes Generating Station channel repairs and managing contractor claims related to the Brilliant Expansion.

2.0 Performance Measures

2.1 Goals/Objectives, Strategies, Measures and Targets

Performance Measures Framework

Columbia Power Corporation's performance measures framework follows the *Budget Transparency and Accountability Act* requirements for performance measures, benchmarks and targets linked to specific goals, objectives and strategies. The framework also reflects Columbia Power Corporation's dual functions as a development company and an operating company. The framework provides broad goals and underlying objectives, aligns specific corporate strategies to each objective, incorporates ongoing research regarding suitable benchmarks and targets, and comments on the significance of results.

Given Columbia Power Corporation's role as joint venture manager and the extent to which it contracts out, finding suitable industry benchmarks remains a challenge, as the industry is still largely dominated by vertically integrated regulated utilities. These challenges are described more fully in Appendix A.

Columbia Power Corporation believes the performance measures used highlight the most crucial aspects of its performance, but are also subject to refinement and evolution as the organization matures. In the future, Columbia Power Corporation plans to provide additional, more precise, measures by disaggregating the current measure for "operations, maintenance and administration" (currently a corporate measure) into its key functional components of plant operations, plant maintenance, renovations/major improvements, and on-site and off-site support functions (see Appendix B).

Source of Data and Reliability

Columbia Power Corporation believes its performance measures are reliable and valid. Current and historical performance measures are not audited; however, they are largely based on audited information, information is subject to third-party verification or information independently provided.

A number of Columbia Power Corporation's performance targets are based on forecasts of future events. They were estimated using assumptions that reflect Columbia Power Corporation's planned courses of action, and judgments as to the most probable set of economic conditions. Due to the nature of forecasting future events, users of this information are cautioned that actual results will vary from the information presented.

Significant Changes

Columbia Power Corporation's Service Plan 2007/08 will now be supported by two appendices:

1. Performance Measures Framework
2. Benchmarking, Operating, Maintenance and Administration

Forecasts and targets for 2006/07 to 2009/10 reflect the following:

- Arrow Lakes Generating Station permanent channel repairs are completed.
- Brilliant Expansion forecasts are based on the commercial operation date of June 2007 (originally August 2006).
- Waneta Expansion construction deferred one year. Power from the project is expected in fiscal 2012. Capital costs have been updated.
- Price forecasts have been adjusted to reflect BC Hydro's 2006 Call for Tenders.

Overall financial and efficiency measures have improved from the 2006/07 Service Plan.

2.2 Performance Plan Summary

Mandate	**Values** **Applied in setting goals and objectives and conducting business activities**		**Vision Achievement scorecard**
CPC business model	Goals	Objectives	Performance Measures
Design	*I. Effective Project Development*	1. Development of projects on time	1.1 Variance in project development time
Evaluate		2. Development of projects on budget	2.1 Variance from project budget
Build		3. Effective construction management	3.1 Unresolved deficiency ratio
Operate	*II. Reliable Plant Operation*	4. Reliable plant operations	4.1 Energy entitlement ratio
Manage	*III. Effective Financial Planning*	5. Investment grade non-taxpayer-supported debt	5.1 Bond rating
			5.2 Debt service coverage ratio
			5.3 Capital structure
		6. Acceptable return on equity	6.1 Return on equity
	IV. Efficient Joint Venture Management	7. Cost-efficient joint venture management	7.1 OMA unit cost for assets in service
			7.2 Revenue per employee
		8. Environmental compliance	8.1 Number of non-compliance notices

2.3 Performance Measures at a Glance

	BENCHMARK	05/06 Actual	06/07 Target	07/08 Target	08/09 Target	09/10 Target
1.1 Variance in project development time	ALGS: 7 Months Early BTS: On Time	BRX: Delayed	BRX: June 2007	Monitor WAX Schedule	Monitor WAX Schedule	Monitor WAX Schedule
2.1 Variance from project budgets	ALGS: On Budget BTS: On Budget	BRX: On Budget	Managing claims from BRX contractor	Managing claims from BRX contractor	WAX: On Budget	WAX: On Budget
3.1 Unresolved deficiency ratio	Baseline to be Developed	ALPC and BRX: Deficiencies Actively Monitored	BRX: Less Than or Equal to 1	BRX: Less Than or Equal to 1	WAX: Document Deficiencies & Monitor Resolution	WAX: Document Deficiencies & Monitor Resolution
4.1 Energy entitlement ratio	1st Quartile: See Benchmarking Appendix	ALGS: 79% BRD: 99%	ALGS: >95% BRD: >95%	ALGS: >95% BRD: >95% BRX: >90%	ALGS: >95% BRD: >95% BRX: >92%	ALGS: >95% BRD: >95% BRX: >95%
5.1 Bond rating	Investment Grade Bond Ratings	Maintained All Bond Ratings	Maintain or Improve Ratings for All Bonds	Maintain or Improve Ratings for All Bonds	Maintain or Improve Ratings for All Bonds	Maintain or Improve Ratings for All Bonds
5.2 Debt service coverage ratio	Greater Than or Equal to 1.3	ALGS: 0.9 BRD: 1.7	ALGS: 2.3 BRD: 1.7	ALGS: 2.0 BRD: 1.8 BRX: 2.3	ALGS: 1.5 BRD: 1.8 BRX: 1.8	ALGS: 1.6 BRD: 1.8 BRX: 1.8
5.3 Capital structure	CEA Composite Performance Measure for 2004 = 74:26	28:72	27:73	37:63	37:63	34:66
6.1 Return on equity	Over the Life of a Project. Comparable to Regulated Utilities	1.0%	3.8%	4.0%	4.6%	4.8%
7.1 OMA unit cost for assets in service	1st Quartile: See Benchmarking Appendix B	ALGS: $3.73 BRD: $2.03	ALGS: $3.71 BRD: $2.25	ALGS: $3.54 BRD: $2.48 BRX: $10.21	ALGS: $3.57 BRD: $2.21 BRX: $5.58	ALGS: $3.58 BRD: $2.21 BRX: $5.01
7.2 Revenue per employee	CEA Composite Average for 2004: $546,000	$788,000	$799,000	$897,000	$991,000	$993,000
8.1 Environmental compliance	Baseline Information to be Developed	Zero Material Non-compliance Notices	Zero Material Non-compliance Notices	Zero Material Non-compliance Notices	Zero Material Non-compliance Notices	Zero Material Non-compliance Notices

[1] ALGS - Arrow Lakes Generating Station; BRD - Brilliant Dam; BRX - Brilliant Expansion; BTS - Brilliant Terminal Station; CEA - Canadian Electgricity Association; OMA - operations, maintenance and administration

3.0 Alignment with Government's Strategic Plan

The government's 2007/08–2009/10 Strategic Plan has five Great Goals for the next decade, which were originally enumerated in the Throne Speech of February 2005:

Goal 1: To make British Columbia the best educated, most literate jurisdiction on the continent.

Goal 2: To lead the way in North America in healthy living and physical fitness.

Goal 3: To build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors.

Goal 4: To lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.

Goal 5: To create more jobs per capita than anywhere else in Canada.

The joint venture power projects owned by Columbia Power Corporation and the Columbia Basin Trust make significant contributions directly to Goals 4 and 5 and indirectly to Goals 1, 2 and 3.

Goals 1, 2 and 3 – Best educated, healthiest, most fit population with the best social support system

Through the payment of dividends to the Province and the Columbia Basin Trust, taxes to the Province and local governments, and water rentals to the Province, the joint venture power projects help fund: education, healthcare and other provincial social support programs and services; Columbia Basin Trust social programs in the Columbia Basin; and local government services in the City of Castlegar and Regional District of Central Kootenay. Over the period 2007/08 to 2009/10, the joint venture power projects are expected to generate $90 million of net income for their shareholders, the Province and the Columbia Basin Trust. The projects will also contribute $41 million in taxes and water rentals.

In keeping with its commitment to Columbia Basin residents, Columbia Power Corporation also provides direct sponsorship funding for community services, regional events, and scholarships and bursaries in the Columbia Basin. Examples of sponsorship include hiking trail improvements, community festivals, hospital foundations, sporting and cultural events, and wildlife groups. Columbia Power Corporation provides scholarships to graduating classes of all 23 secondary schools in the Columbia Basin, and makes bursaries available to students enrolled at the three post-secondary institutions in the Columbia Basin: the College of the Rockies, the Kootenay School of the Arts, and Selkirk College.

Goal 4 – Sustainable environmental management and the best fisheries management

Columbia Power Corporation completed the implementation of its environmental management system in 2006/07 with an internal audit planned for 2007. The focus for 2007/08 will be to correct deficiencies identified by the internal audit.

Jointly, Brilliant Upgrades, Arrow Lakes Generating Station and Brilliant Expansion (current operating projects) will displace over 1,140,000 tonnes per year of carbon dioxide, compared with generating an equivalent amount of electricity in a coal-fired generating plant in Alberta. The Waneta Expansion, if it goes ahead, will displace an additional 550,000 tonnes. The joint venture partners have maintained ownership of any greenhouse gas credits for the Arrow Lakes Generating Station, which could potentially be sold in the future.

One major environmental benefit of the power projects is the reduction of supersaturated dissolved gas levels in the Columbia River. High supersaturated levels can cause gas bubble trauma in fish. Water can become supersaturated when it flows over a waterfall or the spillway of a dam. By passing water though a turbine instead of spilling it, the joint venture projects have resulted in a significant improvement to this water quality parameter of importance to fish. The frequency that the provincial water quality guidelines of 110% are exceeded will be reduced by 54% at Birchbank. The Waneta Expansion will result in a further improvement at the United States/Canada border, which is of benefit to the United States who spend millions of dollars to reduce total gas pressure. For this reason, nine United States federal and state agencies, including the Environmental Protection Agency, the Fish and Wildlife Service, and the Colville Confederated Tribes have endorsed the power projects. Columbia Power Corporation also participates in the Columbia River Integrated Environmental Monitoring Program and the Transboundary Gas Group to discuss and coordinate measures to address dissolved gas issues on the Columbia River.

The power projects are involved in two major fish compensation projects. Annual contributions, currently about $200,000 or a quarter of the cost, are made to the Arrow Lakes Reservoir Fertilization. The fertilization program involves adding a mixture of liquid nitrogen and phosphorus to the water to increase fish productivity through the food chain. A five year review of the program has just been completed which concluded that the bottom-up approach to restoring kokanee has been successful, and that the objectives of the fertilization experiment have been met. The second program is the Slocan River Rainbow Trout Habitat Enhancement Program. The riparian restoration component of this program addresses long-term habitat requirements by providing grants ($20,000 annually) to landowners and community groups conducting riparian restoration work along the Slocan River. A second component to the program providing short-term habitat benefits consists of constructing in-stream fish habitat structures. Five structures were constructed in 2005 as a demonstration phase and have been evaluated. Plans to construct 11 more structures in 2007 have been developed for discussion with the fisheries agencies.

Columbia Power Corporation participates in ongoing discussions on fisheries issues associated with the operation of the power projects. One major forum for these discussions is participation in the Columbia Operations Fisheries Advisory Committee, which consists of the hydro facility owners and operators, fisheries agencies and First Nations. Issues such as fish stranding on the lower Columbia River are addressed through this forum. Recovery of white sturgeon and salmon are other issues that Columbia Power Corporation will participate in.

Goal 5 – Job creation

Over the period 1999/00 through 2002/03, with the construction and commissioning of the $270 million Arrow Lakes Generating Station, Columbia Power Corporation had the third largest hydro project under construction in North America and the largest industrial project in British Columbia. During the three year construction period, the project created 750 person-years of direct employment (with 85% local hires), $60 million in direct and indirect income, and $20 million in regional procurement.

Construction of the $205 million Brilliant Expansion, which began in the first quarter of

2003/04 (now expected to be completed in June 2007), will create over 450 person-years of direct employment (with 85% local hires), $30 million in direct and indirect income, and $15 million in local procurement.

Subject to the requisite reviews and approvals, construction of the Waneta Expansion is scheduled to begin in 2008 and take three and one-half years to complete. The Waneta Expansion construction is estimated to create 680 person-years of direct employment (with 75% local hires), $65 million in direct and indirect income and $25 million in local procurement.

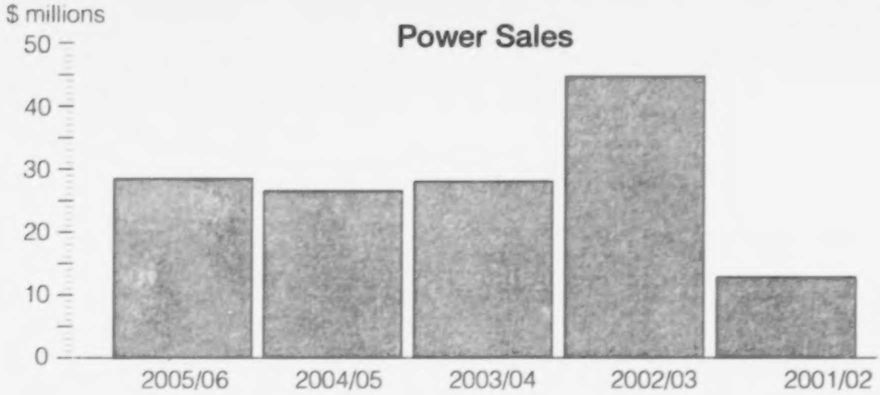
Supply of competitively priced and reliable power to BC Hydro and FortisBC Inc. helps maintain British Columbia's low energy costs and support economic development and job creation. The joint venture power projects also help fund Columbia Basin Trust economic programs and related job creation in the Columbia Basin.

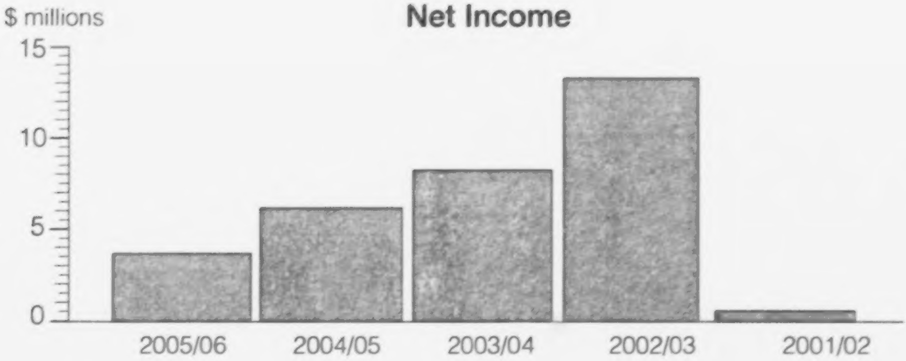
4.0 Historical Five Year Comparative

Five Year Comparative Data
($ in thousands unless otherwise stated)

	2005/06	2004/05	2003/04	2002/03	2001/02
Power Sales	$ 28,438	$ 26,480	$ 28,081	$ 44,650	$ 12,781
Interest and Other Earnings	3,247	2,721	1,892	700	711
Net Income	3,138	5,744	8,262	13,438	550
Dividend Payments	2,000	2,000	2,000	2,000	2,000
Capital Assets and Deferred Costs	376,322	365,234	330,852	287,296	266,148
Short-Term Debt	-	-	-	47,254	63,491
Long-Term Debt	123,374	128,407	107,664	59,049	59,839
Equity	304,557	303,417	299,673	293,411	287,011
Capital and Deferred Spending	$ 17,343	$ 41,865	$ 50,460	$ 26,601	$ 58,999
Debt-to-Equity Ratio	29:71	30:70	26:74	27:73	30:70

Figure 3: Five Year Comparative Power Sales and Net





5.0 Summary Financial Outlook

5.1 CPC Consolidated Statement of Income Forecast

$ in thousands

		2005/06	2006/07	2007/08	2008/09	2009/10
		Actual				
REVENUES						
Sale of power and transmission revenue	$	29,940	33,241	44,650	50,250	51,246
Interest		1,074	464	367	503	528
Management fee		671	644	708	779	857
		31,685	34,349	45,725	51,533	52,631
EXPENSES						
Water rentals		4,005	4,146	4,766	5,867	5,984
Amortization of capital assets in service		5,482	5,772	8,154	8,721	8,827
Amortization of rights		772	934	1,243	1,243	1,243
Property tax		1,061	1,055	1,238	1,262	1,288
Operations and maintenance		1,140	1,368	2,251	2,166	2,168
Administration and management		1,989	1,854	2,581	2,472	2,429
Insurance		553	573	778	793	809
Community sponsorship		84	85	85	85	85
Other		225	-	875	-	-
		15,311	15,786	21,969	22,608	22,832
INCOME FROM OPERATIONS		16,374	18,562	23,756	28,925	29,799
FINANCE CHARGES						
Interest expense		8,551	8,314	10,433	13,344	12,803
Amortization of deferred debt issue costs		288	195	220	238	238
		8,839	8,509	10,652	13,581	13,040
NET INCOME BEFORE CHANNEL REPAIR COSTS		7,535	10,054	13,104	15,343	16,759
CHANNEL REPAIR COSTS		(7,361)	(3,369)	(343)	-	-
RECOVERY OF REPAIR COSTS AND LOSSES		2,964	5,009	-	-	-
NET INCOME	$	3,138	11,694	12,762	15,343	16,759
Full Time Equivalent		40	43	51	52	53

Notes:

1. All dollar amounts represent CPC's 50 per cent share of joint venture amounts.

5.2 Key Assumptions

Key assumptions affecting the forecasts performance measures targets are as follows:

- The Brilliant Expansion achieves delayed commercial operation in June 2007 within the approved development and construction budget of $205 million.
- Operating cost inflation, including water rental increases, is 2% per year.
- Construction of a 435-megawatt Waneta Expansion commences in 2008/09. Based on securing an economic design-build bid; financing, energy entitlement and power purchase agreements.
- Grants in lieu of property tax paid by Arrow Lakes Generating Station, Brilliant Expansion and Waneta Expansion are based on the tax policy recently announced by government.
- For future merchant sales, transmission to liquid markets is available.
- Borrowing capacity from Waneta Expansion and existing projects is sufficient to fund the construction of the Waneta Expansion.
- The market price for electricity is C$68 per megawatt-hour at March 31, 2007, escalating in nominal terms at 2% per year.
- Long-term investment grade interest rate 6% or use of interest rate hedging.
- Exchange rate C$.85 per US$.
- Columbia Power Corporation's dividends to the Province remain at current levels until after the completion of Waneta Expansion.
- Employee retention and succession plans are developed to protect Columbia Power Corporation relationships with private sector and other stakeholders.

5.3 Risk Factors and Sensitivities

Columbia Power Corporation's net income and return on equity will increase over time as projects now under development enter the operating phase and begin to generate power and revenue following years of intensive capital spending during construction. Factors that could affect the future rate of return include: power market developments, interest and exchange rate movements, payments to government, and access to transmission systems. The Province's energy policies and the 2002 Energy Plan supported the development of Columbia Power Corporation's projects by providing greater access to the transmission system and improving the ability of independent power producers to sell to BC Hydro.

Future dividends will be determined based on annual cash earnings, recovery of Arrow Lakes Generating Station approach channel repairs, claims from the Brilliant Expansion contractor, working capital requirements, reserves for future capital replacement, and new power project investment opportunities.

The major source of recent operational uncertainty for Columbia Power Corporation has been the damage to the approach channel at the Arrow Lakes Generating Station. With resolution of the Arrow Lakes Generating Station channel problem, Columbia Power Corporation's outlook for the future is for stable earnings growth. At the Brilliant powerplant and terminal station and the Arrow Lakes Generating Station, prices are fixed by long-term contracts and are not affected by changes in power markets. Entitlement agreements with BC Hydro provide firm amounts of power regardless of actual water flows, thereby removing annual hydrology risk. Interest costs for projects in operation are fixed through the issuance of long-term bonds. At Brilliant dam, earnings stability is further enhanced by the cost-of-service nature of the power sales agreement with FortisBC Inc. Although the power sales agreement with BC Hydro for the Arrow Lakes Generating Station does not have this feature, the plant is relatively new and operating costs are low relative to revenues, as is typical in a hydroelectric generating plant.

The construction of the Brilliant Expansion is scheduled to be completed in June 2007. The fixed-price nature of the design-build contract, along with the built-in performance guarantees, has the effect of transferring most of the construction risk to the contractor. However, Brilliant Expansion Power Corporation has received a significant claim from the contractor. Columbia Power Corporation has taken legal counsel advice on responding to this claim and the contractor has been asked to clarify its position given the fixed-price nature of the contract. The design-build contract provides for binding arbitration for resolution of disputes of this magnitude. With the extension of the Canal Plant Agreement to include Brilliant Expansion Power Corporation, an entitlement agreement is now in place for the Brilliant Expansion, which will remove annual hydrology risk.

With approximately 90% of the Brilliant Expansion plant output sold under two long-term contracts with BC Hydro, Brilliant Expansion Power Corporation is negotiating with a buyer and market services provider for the remaining output. Columbia Power Corporation is undertaking preliminary discussions with a number of potential purchasers for sale of power from the Waneta Expansion.

The following table presents an analysis of the primary risks that Columbia Power Corporation faces and the strategies being undertaking to address these risks.

Risk	Issue/Impact	How Managed
Waneta Expansion Construction Decision	Construction of Waneta Expansion is subject to permitting approvals and receipt of satisfactory design-build bids. Could affect project timing, cost, scale and viability.	The Waneta Expansion is awaiting federal and provincial environmental permitting approval which is expected in early 2007. The Waneta Expansion expression of interest stage started in November 2006. Completion of the design-build competition and final bid evaluation is planned for the fall of 2007. CPC has achieved a transfer of the Waneta Water Reserve to CPC/CBT, and has also signed a Waneta Co-operation Agreement and a Transmission Rights Agreement with Teck Cominco Metals Ltd.

[1] CPC – Columbia Power Corporation; CBT – Columbia Basin Trust

Risk	Issue/Impact	How Managed
Waneta Expansion Entitlement / Canal Plant Agreement Renegotiations	The original Canal Plant Agreement included Brilliant entitlements. Key parts of the agreement were to expire in September 2005. BC Hydro, CPC, FortisBC Inc. and Teck Cominco Metals Ltd. have negotiated a renewed and extended Canal Plant Agreement that includes the Brilliant Expansion and Waneta Expansion and runs until at least December 31, 2035.	The renewed and extended Canal Plant Agreement came into effect in April 2006. Negotiations are continuing with BC Hydro for an entitlement agreement for the Waneta Expansion.
Availability of Funds	Debt funding is required for completion of current and future projects.	The final $50 million power project equity contribution from the Province was received by CBT on April 1, 2005. Key Arrow Lakes Generating Station, Brilliant Expansion and Waneta Expansion agreements are structured to achieve financeable projects with a high credit rating. CPC/CBT may retain cash from operations to lessen the borrowing burden for Waneta Expansion, which may allow more flexible Waneta Expansion power marketing. CPC is also reviewing other borrowing alternatives. CIBC World Markets has been retained through a RFQ as Financial Advisor to develop a financing plan for Waneta Expansion and provide a recommendation on the optimum capital structure for the CPC/CBT power projects.
Brilliant Expansion and Waneta Expansion Power Marketing	90% of the Brilliant Expansion output has been marketed to BC Hydro under two 20 year contracts. The nature and term of future power sales arrangements could affect availability of funds for Waneta Expansion.	CPC is finalizing negotiations to sell Brilliant Expansion uncontracted output, power available prior to contract dates with BC Hydro, and Brilliant Dam upgrade regulated energy. CPC is also pursuing other sales contracts with utilities and marketers for this energy and potentially the output from Waneta Expansion.

[1] CPC – Columbia Power Corporation; CBT – Columbia Basin Trust

Risk	Issue/Impact	How Managed
Brilliant Expansion Commercial Operation Date	The scheduled commercial operation date has been delayed until June 2007. Missing that date would have a direct negative impact on project revenues. Estimated forgone net income from September 2006 to June 2007 is $12.8 million.	CPC actively monitors the progress of construction. The design-build contract specifies a project completion date, with penalties for late completion exceeding one month.
Plant Reliability	If the Arrow Lakes Generating Station plant outage factor were to increase by 1 percentage point, revenues and net income would decline by $770,000 in 2007/08.	Plant outage risk for the Brilliant dam is transferred to FortisBC Inc. as the power purchaser/plant operator. Design-build contracts are secured by: performance, labour and materials bonds; either cash holdbacks or letters of credit; and parent company guarantees. Machinery and equipment have manufacturer warranties. All power projects also carry business interruption, property and liability insurance.
Transmission and Market Access	CPC/CBT power projects are located in a region with limited long-term firm transmission capacity to access adjacent markets in Alberta and the U.S.	CPC has signed a long-term Transmission Rights Agreement with Teck Cominco Metals Ltd. CPC intervenes in BC Transmission Corporation tariff and capital plan hearings and it also pursues sales contracts with delivery at CPC/CBT points of interconnection.
Regulatory Risk	CPC/CBT power projects come under the *Utilities Commission Act* definition of public utilities.	CPC has obtained a Ministerial Order exempting CPC/CBT power projects from regulation. Where appropriate, CPC also intervenes in the regulatory proceedings of BC Hydro and FortisBC Inc. The renewed and extended Canal Plant Agreement has been exempted from the provisions of the *Utilities Commission Act.*

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[1] CPC – Columbia Power Corporation; CBT – Columbia Basin Trust

Risk	Issue/Impact	How Managed
Property Taxation	Taxing Arrow Lakes Generating Station and the Brilliant Expansion at current mill rates would reduce annual project net income by about $6 million and $3 million, respectively. The Waneta Expansion could be similarly affected. This would affect the economic viability of the power projects and the ability to raise debt to fund the Waneta Expansion.	CPC has previously obtained Orders in Council exempting Arrow Lakes Generating Station and the Brilliant Expansion from property tax. CPC will seek a similar tax exemption for the Waneta Expansion. The Province recently announced a tax policy confirming that Arrow Lakes Generating Station, the Brilliant Expansion and (once approved for exemption) the Waneta Expansion will pay grants in lieu on a similar basis to the existing practice for BC Hydro Columbia River Treaty facilities and generation plants on the Peace, Columbia and Pend d'Oreille Rivers.
Water Use Planning and Columbia River Treaty Operations Risk	Constraints imposed as a result of BC Hydro water use planning and changes in upstream flow regulation associated with the Columbia River Treaty could adversely affect powerplant operations and project revenues, unless CPC/CBT are saved harmless.	CPC has obtained an indemnity from BC Hydro saving harmless CPC/CBT power projects from the effects of Water Use Planning. CPC is also monitoring changes to U.S. regulation of the Libby dam and has registered CPC/CBT interests with the U.S. Army Corp of Engineers and BC Hydro (respectively, the designated U.S. and Canadian Entities under the Columbia River Treaty).
Foreign Exchange Risk	A 1¢ change in the Canadian dollar relative to the U.S. dollar represents about $40,000 per year for the 10% of Brilliant Expansion power entitlement not currently under contract.	Sales to BC Hydro and FortisBC Inc. are in Canadian dollars. Approximately $3 million of Brilliant dam Upgrades power is exposed to foreign exchange risk. 10% of Brilliant Expansion and all of Waneta Expansion power are potentially subject to this risk. Hedging instruments are being considered for this sales contract and potential future export sales into the U.S.
Counter-party Credit Risks	Bond ratings and interest costs for CPC/CBT project debt are affected by the creditworthiness of the buyer. Power purchasers may also require CPC to post security.	CPC's marketing efforts are directed at selling power to purchasers with high credit ratings and entering backstop arrangements as appropriate. CPC will negotiate with purchasers to minimize or, if possible, eliminate this requirement.

[1] CPC – Columbia Power Corporation; CBT – Columbia Basin Trust

Risk	Issue/Impact	How Managed
Interest Rate Risk	Higher interest rates could negatively affect the cost of new project debt, project net income and the economics of and ability to finance the Waneta Expansion. Depending on the size of the Waneta Expansion, a 1 percentage point interest rate rise could reduce annual net income by up to $5 million.	CPC continues to pursue debt management strategies and use interest rate hedges to manage risk to acceptable levels, as appropriate.

[1] CPC – Columbia Power Corporation; CBT – Columbia Basin Trust

6.0 Capital Plan

The Brilliant Expansion is the only approved Columbia Power Corporation/Columbia Basin Trust Major Capital Project in the period 2007/08 to 2009/10. Treasury Board and the Columbia Basin Trust Board approval to proceed with this 120-megawatt, $205 million project was obtained in February 2003. A fixed-price design-build contract was signed in February 2003 and construction commenced in April 2003. The contractual commercial operation date for the Brilliant Expansion was September 7, 2006; however, a delay is expected until June 2007. Forecast Brilliant Expansion capital spending over the period of the Service Plan totals $22 million ($183 million having been advanced from 2002/03 to 2005/06). In accordance with the *Budget Transparency and Accountability Act*, a Major Capital Project Plan was submitted for the Brilliant Expansion to the Clerk of the British Columbia Legislative Assembly on March 18, 2003, which is available on Columbia Power Corporation's website: www.columbiapower.org/content/projects.html under Brilliant Expansion. While the Waneta Expansion is not yet an approved project, the following capital spending table includes estimated Waneta Expansion capital spending to the end of 2009/10 on the assumption that Columbia Power Corporation receives the requisite approval to enter into a design-build contract in early 2007/08. In November 2006, Columbia Power Corporation submitted an Interim Plan to the Minister of Energy Mines and Petroleum Resources for the development of the Waneta Expansion.

6.1 CPC Consolidated Capital Spending Forecast

$ in thousands

	2005/06 Actual	2006/07	2007/08	2008/09	2009/10
BRILLIANT POWER CORPORATION	926	1,840	2,294	2,220	1,746
ARROW LAKES POWER CORPORATION	3,241	2,242	428	280	324
BRILLIANT EXPANSION POWER CORPORATION	11,218	5,521	7,160	570	578
POWER PROJECT PLANNING					
Waneta Expansion	1,813	2,560	4,313	70,459	96,339
General Power Project Planning		265	400	265	265
	1,813	2,825	4,713	70,724	96,604
CPC CORPORATE	145	300	330	363	399
TOTAL	$ 17,343	12,728	14,925	74,157	99,651

Note:

1. With the exception of CPC Corporate (primarily furniture, office equipment and vehicles), capital spending represents CPC's 50 per cent share of joint venture amounts.

6.2 Liquidity and Sources of Capital

Columbia Power Corporation has set aside cash and temporary investment reserves to complete the Brilliant Expansion, finish the Brilliant life extension program, and partially fund the development of the Waneta Expansion.

Future operational cash is earmarked to fund sustaining capital for operating plants and, subject to the dividend requirements of the Province and the Columbia Basin Trust, provide equity for the Waneta Expansion. This operational equity would lower future long-term borrowing requirements and allow increased power marketing flexibility.

Columbia Power Corporation has access to the Province's fiscal agency loan program, which can potentially be used to finance the Waneta Expansion during construction. Subject to the creditworthiness of future power sales contracts, considerable long-term and short-term borrowing capacity is also available from the existing power projects to finance the Waneta Expansion, other projects and a future optimal capital structure. CIBC World Markets has been retained as Financial Advisor to develop a financing plan for Waneta Expansion and provide a recommendation on the optimum capital structure for the Columbia Power Corporation/ Columbia Basin Trust power projects.

7.0 Power Sales Activities

The sale of generation from the Arrow Lakes Generating Station is fully subscribed under a long-term sales agreement with BC Hydro. Under a 60 year power purchase agreement, 94% of the power from the Brilliant dam is sold to FortisBC Inc.

For the remainder of 2006/07, the wholesale electricity market is expected to continue to be robust. Markets also reflect a willingness to contemplate long-term (10 – 20) year sales as evidenced by the BC Hydro F2006 Call for Tenders. BC Hydro also plans to have a F2007 Call for Tenders. For 2007/08, some indicators are predicting falling gas and electricity prices in the Pacific North West, possibly the beginning of a five year trend.

For Columbia Power Corporation, a high priority in 2007/08 is to secure markets for Waneta Expansion, provided terms and conditions are acceptable. Along with other opportunities, Columbia Power Corporation plans to bid all or part of the Waneta Expansion power into the BC Hydro F2007 Call for Tenders. Activities related to the Waneta Expansion also include the development included work on product definition and the undertaking of preliminary discussions with a number of potential buyers.

From Brilliant Expansion completion, Columbia Power Corporation will market 40% of the power to BC Hydro under the F2002/03 Green Power Generation Electricity Purchase Agreement. Columbia Power Corporation has entered into a long-term sales agreement with BC Hydro under a F2006 Electricity Purchase Agreement for most of the Brilliant Expansion residual power, commencing in 2009/10. The BC Hydro F2006 energy (approximately 50% of the output) prior to the contact start date in 2009/10, the 10% Brilliant Expansion residual, and Brilliant Upgrade Regulated energy will be marketed on a short-term basis. A third party who has the capability and knowledge to attract the highest value for the product, provide services to schedule transmission, arrange for counterparties, and address credit issues will assist with the marketing of this power. Columbia Power Corporation has selected the preferred proponent and has completed its negotiations, and anticipates signing a contract early in 2007.

During this service plan period, Columbia Power Corporation will continue to monitor market energy prices and market developments. Columbia Power Corporation subscribes to a number of news services and participates in a number of Pacific Northwest marketing and trading conferences. Columbia Power Corporation is also a Western System Power Pool member.

8.0 Board of Directors and Officers

Board of Directors

Lee Doney
Chair

Jane Fleming

Ron Miles

Charles Reid

Josh Smienk

Art Willms

Officers

Ed Pietraszek
Acting President

Giulio Ambrosone
Vice President, Engineering and Construction

Bruce Duncan
Vice President, Strategic Planning and Regulatory Affairs

Bill Freeman
Vice President, Project Development

Victor Jmaeff
Vice President, Power Supply and Marketing

Randall Smith,
Corporate Secretary/Treasurer

David de Git
Corporate Controller

9.0 Corporate Governance

Columbia Power Corporation is a Crown corporation existing under the *British Columbia Business Corporations Act*. It is owned and controlled by the Province and is an agent of the Province. Under the terms of its agency agreement, Columbia Power Corporation must obtain the approval of the Province's Treasury Board for all budgets and material decisions. Its directors are appointed annually by the Province. All employees are bound by Columbia Power Corporation's Standards of Conduct.

As a government corporation under the *British Columbia Financial Administration Act*, Columbia Power Corporation is required to maintain its accounts in a manner acceptable to the Minister of Finance. The Auditor General of British Columbia is the auditor for Columbia Power Corporation.

All operating and capital budgets for a joint venture power project require the unanimous approval of the joint venture's management committee. Such committees consist of three members appointed by Columbia Power Corporation and three members appointed by the Columbia Basin Trust.

The power project investments of Columbia Power Corporation and the Columbia Basin Trust are guided by the principle, as stated in the Financial Agreement between the Province and the Columbia Basin Trust, that the joint venture management committee formed for a power project will only authorize the start of the power project if such a start is approved by the respective boards of directors of Columbia Power Corporation and the Columbia Basin Trust, and if such a power project would meet conditions as would be set by a reasonable lender for the financing of a similar power project, including conditions related to debt servicing, return on equity, permits, construction agreements, contracts for the sale or distribution of electricity, and similar matters.

Columbia Power Corporation's mandate and governance model continue to evolve. The Columbia Basin Trust and the region now have a greater role in the management of the power assets, via a one-third representation on the Columbia Power Corporation Board of Directors. A *Shareholder's Letter of Expectations* dated October 24, 2006 confirmed Columbia Power Corporation as the manager of the power projects. The letter directs Columbia Power Corporation to: conduct its operations and financial activities in a manner consistent with the legislative, regulatory, and policy framework established by government; undertake recruitment of a President for Columbia Power Corporation; continue to work with the Columbia Basin Trust to increase efficiency and reduce costs of power development and management activities; and develop and bring forward an interim plan for development of the Waneta Expansion. As directed, an interim plan for the Waneta Expansion was submitted to the Province for consideration in November 2006. The recruitment of a new President is in progress.

Glossary

Benchmarking
A measured, "best-in-class" achievement that is used as a reference or measurement standard for comparison and is recognized as the standard of excellence for a specific business process.

Bond rating
A rating assigned to bonds based on the probability of the issuing firm's default. Those bonds with the lowest default probability have the highest rating and generally carry the lowest interest rates.

Canal Plant Agreement
An agreement between BC Hydro, FortisBC Inc., Teck Cominco Metals Ltd., Brilliant Power Corporation, Brilliant Expansion Power Corporation and Waneta Expansion Power Corporation that provides for the coordination of hydro facilities on the lower Kootenay and Pend d'Oreille Rivers.

Capacity
The maximum power that a generating station can supply, usually expressed in megawatts.

Columbia River Treaty
An agreement ratified by the United States and Canada in 1964, which led to the construction of three storage dams in the Columbia River Basin (Duncan, Keenleyside and Mica dams) and one in Montana (Libby dam). The purpose of these dams was flood control and power production in both countries.

Comptroller of Water Rights
The statutory decision-maker under the *Water Act*, responsible for water licences and the safety of water-retaining structures.

Debt service coverage ratio
Earnings before interest, depreciation and taxes, divided by debt service payments during the year (debt principal and interest payments).

Debt-to-equity ratio
Ratio of money borrowed to money invested in the capital structure of a firm.

Design-build contract
A contract between the owner and a contractor/consortium for the design, construction and commissioning of a power project, in accordance with the owner's technical specifications.

Downstream benefits
The extra power generated at United States powerplants on the Columbia River that results from the operation of Columbia River Treaty storage dams located in Canada. Under the Columbia River Treaty signed in 1964, the Province of British Columbia owns one-half of this incremental power, called "Canadian Entitlement to the Downstream Benefits." The Province sold the first 30 years of these benefits to a group of United States utilities for US $254 million. The money helped pay for the construction of the three Treaty dams in Canada.

Energy entitlement ratio
The ratio of a project's actual energy entitlements to maximum entitlements.

Entitlement agreement
An agreement to include a hydro project in the larger hydro system for the purposes of optimizing system power generation, whereby the project owner receives a fixed amount of power.

Environmental approval
Approval under the *British Columbia Environmental Assessment Act (BCEAA)* and the *Canadian Environmental Assessment Act (CEAA)*, following environmental review and consultation with government agencies, First Nations and the general public. Once *BCEAA* and *CEAA* approval is obtained, further permits, licences and approvals must be acquired from federal, provincial and municipal authorities under applicable environmental legislation for the various aspects of the construction and/or operation of hydroelectric projects and associated transmission lines.

Environmental management system
The part of the overall management system that includes organizational structures, planning activities, responsibilities, practices, procedures, processes and resources for developing, implementing, achieving, reviewing and maintaining the environmental policy.

Final acceptance date
The date on which the owner's consultant certifies that everything required to be performed or done by the design-build contractor under the contract has been completed, subject only to warranties under the contract that continue past final acceptance.

First quartile
Measured performance within the top 25% of a study, group or class.

Green power
Power and associated green rights produced from generating facilities that meet specific low environmental impact and social responsibility criteria.

Investment grade credit rating
A credit (bond) rating sufficiently high to be considered worthy of low-risk institutional investors such as pension funds.

ISO 14001 standard
The international standard for environmental management, introduced by the International Standards Organization (ISO) in 1996 and updated in 2004.

Limited-recourse project debt
Debt that limits the security available to debt holders in the event of default to only those assets of the debt issuer. The debt is not guaranteed by another party.

Megawatt (MW)
1 million watts; 1,000 kilowatts. A unit commonly used to measure both the capacity of generating stations and the rate at which energy can be delivered.

Megawatt-hour (MWH)
1,000 kilowatt-hours. An average household in British Columbia uses about 10,000 KWH (10 MWH) of electricity per year.

Operation, maintenance and administration (OMA)
The cost of operating and maintaining powerplants and related administration costs. OMA does not include amortization, taxes, interest or insurance.

Public-private partnership
A cooperative venture for the provision of infrastructure or services, built on the expertise of each partner, and designed to best meet clearly defined public needs through the most appropriate allocation of resources, risks and rewards. In a public-private partnership, the public sector maintains an oversight and quality assessment role, while the private sector focuses on actual delivery of the service or project.

Return on investment
Income available to shareholders as a percentage of their investment.

Water rental
A royalty collected by the Province of British Columbia for use of water.

15

COMMUNITY LIVING
BRITISH COLUMBIA

CELEBRATE COMMUNITY LIVING

COMMUNITY LIVING BRITISH COLUMBIA

2007/08 TO 2009/10 SERVICE PLAN

February 20, 2007

Good Lives in Welcoming Communities

Community Living British Columbia's vision is one of full citizenship in which people with developmental disabilities lead good lives, have rich relationships with friends and family, financial security, choices in how they live their lives, meaningful employment opportunities and are accepted and valued as citizens.

This vision is best defined as people leading ***Good Lives in Welcoming Communities***. As a steward of this vision, CLBC is committed to supporting the growth of inclusive, supportive communities.

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Complaints Policy and Process	http://www.communitylivingbc.ca/publications_and_resources/documents/CLBCCOMPLAINTRESOLUTIONPOLICYSept2005.pdf
Second Annual CLBC Service Plan	http://www.communitylivingbc.ca/publications_and_resources/pdf/Service%20Plan%20for%20CLBC%20(2006%20-%202009).pdf
Inaugural Annual Service Plan Report	http://www.communitylivingbc.ca/publications_and_resources/pdf/CLBC_AnnualReport_July06.pdf

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Message From the Board Chair to the Minister Responsible

January 31, 2007

The Honourable Tom Christensen
Minister, Children and Family Development
Province of British Columbia

Dear Minister:

On behalf of the Board of Directors of Community Living British Columbia, I am pleased to present you with our 2007/08 – 2009/10 annual Service Plan. I want to acknowledge the leadership role taken by the BC Government in committing to achieving 5 Great Goals during the next decade to help BC become "*. . . a prosperous and just province, whose citizens achieve their potential and have confidence in the future*". CLBC is uniquely positioned to support Government to achieve its third Great Goal which is to ***"Build the best system of support in Canada for persons with disabilities, those with special needs, children at risk and seniors"***.

CLBC Board Chair
Lois Hollstedt

CLBC is committed to enabling adults with developmental disabilities and children and youth with special needs and their families to live as full and contributing citizens in their communities. The Board's goal is to implement a service delivery model, within available funding, that is responsive to the needs and citizenship aspirations of the people CLBC is mandated to serve. To achieve this, CLBC will manage community living services effectively, while building community capacity and the business infrastructure necessary to implement and operate its service delivery model. CLBC is also firmly committed to being transparent in everything it does, and accountable for the decisions it makes.

CLBC represents an exciting opportunity to rethink how programs and services are organized and delivered in BC. Our service delivery model is designed to give those whose lives are affected by a developmental disability a far greater say in how they are supported in BC's diverse communities. Transitioning to a new way of thinking about how people with developmental disabilities can be supported will take a period of years. However, I want to assure you that providing quality supports and services to individuals and families during this important period continues to be the primary focus of our work.

CLBC faces a number of significant challenges while it transforms community living services. Demand for service continues to grow due to factors such as population growth and increased awareness and identification of those who need support. Another factor is that individuals with disabilities are ageing; leading to complex support needs that have to be addressed. Families and others that care for those with disabilities are also ageing, placing further stress on the system.

Over time, CLBC's service delivery model will lead to the development of newer and more innovative residential and community support options for individuals and families. Because this will take a number of years, CLBC has developed a number of strategies to address these challenges in the longer term.

Some individuals and families are beginning to receive targeted amounts of flexible funding through mechanisms like individualized funding and direct payments. More proactive person-centred planning, supported by a provincial waitlist policy, and the introduction of an effective and comprehensive information management system will also help in the development of more flexible and cost effective options. Avoiding or preventing crises through these approaches will also assist CLBC to reduce the cost per person served by decreasing reliance on more costly, traditional service models.

We are in the process of establishing an Advisory Committee to the Board with province-wide representation, as well as 17 Community Councils throughout the province. These mechanisms will provide feedback on how effective CLBC and its community partners are in responding to the unique needs of individuals and families. They will also provide important recommendations to the Board on key issues faced by individuals, families and communities.

The Board is confident that the necessary foundation for a flexible and sustainable service delivery system has been established. Important lessons were learned from the development site where key policy and practice elements of CLBC's service delivery model were tested before province-wide implementation was completed in July 2006.

Our first three year Strategic Plan continues to guide how we achieve key operational objectives which support CLBC's vision, mission and mandate. CLBC also obtains community input on important operational issues through a variety of working groups that involve different stakeholders. Together, with our skilled and committed staff and our many community partners, we are confident that we will achieve the various objectives set out in this Service Plan.

This Service Plan has been prepared using the eight public performance reporting principles developed by the Auditor General and adopted by the BC Government as a methodology for performance planning and reporting for Ministries and Crown Agencies. The reporting principles provide a general frame of reference to assist organizations like CLBC in the preparation of Service Plans and Annual Reports and are a tool to help organizations plan, manage and report their performance throughout the planning and reporting cycle.

Accountability Statement

The 2007/08 - 2009/10 Community Living British Columbia Service Plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and Strategic Plan.

All significant assumptions, policy decisions, and identified risks have been considered in preparing the plan. The performance targets in this plan have been determined based on an assessment of Community Living British Columbia's operating environment, forecast conditions, risk assessment and past performance.

Yours truly,

Lois Hollstedt
Board Chair, Community Living British Columbia

Introduction

This is the third three-year Service Plan for CLBC, a Crown Agency of Government created July 1, 2005 with the proclamation of the *Community Living Authority Act*. CLBC is responsible for the delivery of community supports and services needed by adults with a developmental disability and children and youth with special needs and their families.

This 2007/08 – 2009/10 Service Plan sets out what CLBC plans to accomplish during the next three years in delivering and managing community living supports and services. This Service Plan also provides details on how CLBC will be accountable for its performance by setting out objectives and strategies it will use to achieve its goals and by identifying how it will measure progress. In developing this Service Plan, CLBC has relied on guidance provided by:

- CLBC's Board of Directors and senior management team
- Crown Agencies Secretariat's 2007/08 – 2009/10 Service Plan Guidelines for Crown Corporations
- Letter of Expectations provided to CLBC by the Minister of Children and Family Development as the Minister responsible under the *Community Living Authority Act*

Alignment with Government's Strategic Plan

The BC Government re-stated its intention in its 2006/07–2008/09 Strategic Plan to achieve 5 Great Goals during the next decade to enable BC to become "*. . . a prosperous and just province, whose citizens achieve their potential and have confidence in the future*". Great Goal #3 - ***Build the best system of support in Canada for persons with disabilities, those with special needs, children at risk, and seniors*** - relates directly to CLBC's mandate under the *Community Living Authority Act*.

CLBC's service delivery model is based on international best practice. It is designed to be fair, sustainable and accessible and to provide supports and services to adults with a developmental disability and children and youth with special needs and their families that are flexible, innovative and responsive to people's needs. The primary goals of CLBC's service delivery model are to help individuals and families:

- Access supports and services needed to address disability-related needs
- Be part of a growing network of personal relationships
- Engage in real work for real pay
- Play valued roles in the community such as friend, neighbour, employee and volunteer
- Use generally available community supports and services that people without a disability routinely do, for example, public transportation and health care
- Participate in everyday community events, activities and groups
- Be recognized for their contributions to the community

These person-centred outcomes add to the social fabric of the province's diverse communities as people with developmental disabilities contribute their gifts and talents. In doing so, they add creativity and energy to community life. CLBC's approach also aligns fully with Government's core values that are outlined in its Strategic Plan. These values, presented below, are also reflected in the work CLBC does to meet its mandate:

- **Integrity**: make decisions in a manner that is consistent, professional, fair, transparent and balanced
- **Fiscal Responsibility**: implement affordable public policies
- **Accountability**: enhance efficiency, effectiveness and the credibility of Government
- **Respect**: treat all citizens equitably, compassionately and respectfully
- **Choice**: afford citizens the opportunity to exercise self-determination

Many jurisdictions continue to watch closely CLBC's governance and service delivery model. It is widely regarded as an example of how to develop and implement a comprehensive system that supports the citizenship aspirations of people who live with a developmental disability and children and youth with special needs and their families.

Changes in CLBC's mandate or the direction provided by Government are set out in a Shareholder's Letter of Expectations from the Minister to CLBC. The most significant change in the current Shareholder's Letter of Expectations is the direction given to CLBC to work with the Ministry of Children and Family Development to implement an approved plan for the delivery of children's services.

A Memorandum of Understanding (MOU) between CLBC and MCFD currently governs the provision of children's services. A June, 2004 Children's Agreement was scheduled to be implemented by July 1, 2006; however, due to concerns about possible service fragmentation, confusion for families and lack of planning coordination, the Minister, CLBC and MCFD decided in April, 2006 to not implement this agreement. Instead, a decision was reached to operate under the current MOU until a long-term agreement can be worked out.

Work is being done now to define the future working relationship of CLBC and MCFD related to children and to ensure that services are comprehensive and coordinated, and provided in a way that is in the best interests of children and families. Until this work is completed, CLBC and MCFD will work together to ensure a coordinated approach to supporting children and their families. A protocol clarifies the specific field level roles and responsibilities of each party.

Overview of Community Living British Columbia

A Description of CLBC

As a Crown agency, CLBC is classified as a "Service Delivery Corporation". CLBC is responsible under the *Community Living Authority Act* to provide community living supports and services, subject to available funding, to adults with developmental disabilities and children and youth with special needs and their families. Presence of a developmental disability is determined by an assessment provided by a registered psychologist. CLBC is responsible for developing policy, directing operations, ensuring standards are met and managing funds and services.

CLBC is accountable to the provincial legislature through the Minister of Children and Family Development. The Minister is responsible for funding, setting provincial standards and monitoring CLBC's performance.

1. Adults with Developmental Disabilities

Supports and services for adults are delivered through an extensive network of contracted community based not-for-profit organizations, private agencies and individual caregivers that provide family support, residential and day services, life skills and employment support. Professionals and independent contractors also deliver a wide variety of supports and services, such as therapy and behavioural support.

As of December 31, 2006 CLBC had open files for 10,216 adults with a developmental disability. Of this number, 5,293 were living in group and family model homes, or semi-independent living arrangements, and receiving day support services. 4,923 were receiving family and/or day support services or other CLBC services such as assistance to develop an individual support plan. This data comes from SWS/MIS (CLBC's legacy information management system); the exception being adult residential services information, which is collected through regional reporting.

Further details about supports and services provided to adults are in CLBC's July 1, 2005 – March 31, 2006 Inaugural Annual Service Plan Report.

2. Children and Youth with Special Needs

As of December 31, 2006 services and programs were delivered to 8,856 children and youth with special needs (including children with a developmental disability) and their families. This data comes from SWS/MIS.

2.1 CLBC SERVICES

CLBC is responsible for services for children with developmental disabilities, which are provided through contracted community agencies that offer family support, professional support, respite, child and youth care workers, home support and some residential services.

Some families make their own respite arrangements using direct funding. CLBC also provides residential services for 383 children in care under the *Child, Family and Community Service Act*. Of this number, 234 receive these services using special needs agreements with parents.

2.2 CLBC / MCFD JOINT SERVICES

CLBC works in partnership with MCFD to:

- Deliver autism services in local communities for children with autism spectrum disorders, including autism funding for children under age six and autism funding for children aged six to 18, early intensive behavioural intervention programs and behaviour support services
- Determine eligibility for the At Home Program (Respite and Medical Benefits for children with severe disabilities, a palliative condition or complex health needs requiring direct nursing care)
- Provide At Home respite funding agreements for parents with eligible children

While CLBC delivers these services, MCFD maintains responsibility for policy and budget.

2.3 FUTURE PLANS

CLBC is planning a new family-centred model of out-of-home support services that will be delivered under the Community Living Authority Act. This model, known as *Shared Care,* is being designed to reduce the rigid boundaries that now exist between different categories of family support, respite and different out-of-home living options. *Shared Care* will empower families to plan for their needs and their children's needs using a child/youth and family support plan. This model will also respond to the wishes of families served by CLBC for a continuum of flexible supports. Additional details about supports and services currently provided to children and youth with special needs and their families are in the July 1, 2005 – March 31, 2006 Inaugural Annual Service Plan Report.

3. Benefits of CLBC's Service Delivery Model

The primary benefit of CLBC and its network of community-based supports and services is that the people with developmental disabilities it serves, many of whom live on very limited incomes, are able to meet their disability-related needs and participate in meaningful ways in the community. This includes being active members of the provincial workforce.

As CLBC's service delivery model becomes more person-focused in the years ahead, a wider range of flexible models of supports and services will be developed. This will support the further inclusion of people with developmental disabilities in a wider variety of roles in community life.

4. Ensuring Consumer Satisfaction

CLBC conducts satisfaction surveys with people with disabilities and families who have children and youth with special needs or adults with developmental disabilities. CLBC began conducting surveys in 2006 to develop baseline measures in each of its nine Quality Service areas in BC. This information is being analyzed and reports generated. CLBC field Managers are responsible for developing plans to address any areas identified that require improvement. Surveys will be conducted again within 18 months.

Many agencies CLBC contracts with are accredited and are required to conduct, and act upon, yearly satisfaction surveys with the people they serve. Community Councils and the Advisory Committee to CLBC's Board of Directors are other mechanisms that will measure individual, family and community satisfaction with CLBC and service providers. These mechanisms, which are being established, are discussed below.

> ***"CLBC's new service delivery model presents opportunities for service providers to look at and implement more person-centred ways of supporting individuals in a way that program based services previously could not. This new direction strengthens the relationship between individuals, families and service providers as they work towards their goals."***
>
> **Paul Wheeler, Executive Director, Semiahmoo House Society**

Enabling Legislation

The *Community Living Authority Act* provides the legal basis for CLBC to operate as a Crown Agency.

CLBC's Service Delivery Model

CLBC's service delivery model is the result of extensive community input and supports meaningful involvement by key stakeholders. Individuals and communities have a direct connection with CLBC's leadership team because significant decision-making responsibility is delegated to field level managers and staff who interact with individuals and families. Empowered local decision-making supports the creation of responsive and flexible person-centred supports while reducing complexity, costs and delays in decision-making.

An overview of CLBC's organizational structure is in the July 1, 2005 – March 31, 2006 Inaugural Annual Service Plan Report.

1. Staff Roles

CLBC uses two key staff roles – **facilitators** and **analysts** - to work with individuals and families in local communities to develop, implement and monitor individual support plans.

Person-centred planning helps the individual, or a family on behalf of their child, to identify hopes, dreams, needs and wants. Personal goals are established to assist the person to meet their needs and live their life as they envision. Different options are explored which might include accessing typical community resources, support from family and friends, as well as services funded by CLBC. With a person-centred plan, services are tailored to each person's unique needs.

Facilitators provide information, advice and practical assistance to eligible individuals and families; independent from service providers and CLBC staff who make funding decisions, to help:

- Develop and implement support plans that enable individuals and families to access or develop flexible, individually tailored supports and services. This includes making effective use of small amounts of flexible funding (e.g. individualized funding) to create supports that are designed specifically to meet individual needs
- Incorporate the use of existing, generic community capacity in support plans
- Ensure easier access to different governmental systems and community organizations
- Support individuals and families to make decisions that maintain independence

Facilitators also undertake guardianship functions for children in care.

Analysts are responsible to:

- Confirm eligibility
- Make decisions on requests for funding and/or services
- Monitor contracts with service providers and associated deliverables
- Assess system gaps
- Develop increased provider capacity
- Ensure a crisis response capacity exists in local communities
- Work to improve the effectiveness of contracted services

Facilitators and analysts play complementary, yet equally important roles. Both help ensure well-rounded plans are developed and that supports and services empower individuals and families to achieve their goals.

Facilitators are CLBC's "public face" and address most requests from individuals and families for information and/or help with accessing supports and services. Analysts have an ongoing relationship with service providers; their role is to ensure that the elements needed for an effective support and service delivery system are in place and working.

Facilitators work from 17 Community Living Centres across BC. In communities too small for a Centre, they work out of another community or government office, called satellites. Each Community Living Centre is responsible for a geographic area that may incorporate several satellite offices or outreach communities. These Centres are places where individuals and families can find information and obtain advice and planning support. Community Living Centres are located within nine larger geographical areas called Quality Service areas. Analysts work from a Quality Service office in each of these nine areas.

2. Provincial Assessment Centre

CLBC is responsible for the Provincial Assessment Centre (PAC) which is a 12 bed designated Mental Health Facility. The PAC provides multi-disciplinary assessments, diagnosis, medication reviews and recommendations for individuals with a developmental disability who are 14 years and older experiencing mental illness and/or other severe behavioural issues or challenges. Individuals admitted to the PAC stay for up to 90 days. During the assessment period PAC staff assists families, caregivers and other CLBC staff to develop stable support arrangements that allow for broader planning and smoother transitions on admission and discharge. The PAC also provides eligibility assessments and outreach consultation.

3. Community Involvement

CLBC recognizes that developing supports and services that meet the unique needs of individuals and families requires meaningful community involvement. Key features are:

3.1 COMMUNITY COUNCILS

CLBC is currently establishing Community Councils in each of the 17 Community Living Centre areas. These bodies will identify new service approaches, help set local budget priorities and provide feedback on how CLBC and service providers at the community level are responding to the needs of individuals and families. It is anticipated the majority of Councils will be up and running by March 31, 2007.

3.2 ADVISORY COMMITTEE TO THE BOARD

The Community Living Authority Act requires that CLBC's Board of Directors "*. . . must establish an advisory committee to the board composed of individuals referred to in the definition of "community living support"*. This 10 member committee, made up of five self-advocates and five family members (at least one of whom is an aboriginal member), will be fully operational in 2007. The Advisory Committee will provide the Board with a provincial point of view on these four key areas:

- Review satisfaction levels with CLBC's services by gathering information through members' communication networks, and make recommendations for improvements in CLBC's Service Plan and Strategic Plan
- Recommend policy and practice to improve quality of life for people served by CLBC
- Explore long range issues that may affect CLBC and recommend solutions
- Collect and share information throughout BC on new support options

3.3 COMMUNICATING WITH STAKEHOLDERS

CLBC is committed to openness and transparency, and regularly communicates about issues of interest to its community partners. Mechanisms include a bi-monthly newsletter and a re-designed website launched in October 2006 that better reflects what CLBC does as an organization and makes site navigation easier. New website accessibility features are consistent with those defined by the W3C's Web Content Accessibility Guidelines. Site visitors can choose font sizes and change the screen colour to ensure pages are as readable as possible. CLBC obtains feedback directly from community members to ensure we are responsive to the needs and expectations of BC's diverse communities. In addition to the Community Councils and Advisory Committee, community members participate in these various ways:

- Community forums that explore the policy, practice and fiscal implications of important issues facing CLBC (e.g. ageing adults; lack of affordable housing)

- Children's Transformation Working Group whose roles include identifying specific issues or concerns that need to be addressed, and providing feedback on proposed policies and implementation of the service delivery model for children's services
- Issue specific workgroups that address issues key to CLBC's new approach to service delivery (e.g. creating formal and informal safeguards)

Board directors and senior management members make regular presentations about CLBC and its work.

CLBC's Corporate Governance Structure

1. Board of Directors

Under the Community Living Authority Act, CLBC's Board can have up to 11 Directors. The Minister is responsible for making all appointments. Directors require the skills, qualifications and experience needed to govern CLBC effectively to carry out its mandate. The Board is responsible for guiding senior management in implementing the core components of CLBC's service delivery model. Board representation is based on the understanding that community members, and particularly those affected by a developmental disability, have an important role to play in determining how the service system is governed and operated. This concept is referred to as community governance.

The *Act* requires that a majority of Board members be people described in the definition of "community living support". This includes adults with developmental disabilities and families, or people with a significant connection to children and/or adults with developmental disabilities, including family members. Board meetings are open to the public and minutes from past meetings and the annual meeting schedule are on the CLBC website.

CLBC Board of Directors			
Teresa Azak Gitwinksihlkw	**Kenneth Crump** North Vancouver	**George Fulcher** Powell River	**Rod Gunn** White Rock
Colleen Hay Dawson Creek	**Lois Hollstedt** North Vancouver (Chair)	**Amanda Lennard** Vernon	**Maurice Mourton** Tsawwassen
M. Lynn Rolko Parksville	**Joan Rush** Vancouver	**Harvey Venier** Cranbrook	

The Board of Directors has two committees that assist CLBC's management team to implement the service delivery model.

- The Human Resources Committee helps the Board to fulfil its obligation relating to human resources, including performance, compensation, succession and safety matters. Members are Maurice Mourton (Chair), Rod Gunn and Lois Hollstedt
- The Finance and Audit Committee assists the Board to fulfil its obligations relating to finance and audit matters, including investment of funds, as necessary, and advising the Board on its fiscal management of the Authority. Members are Ken Crump (Chair), Lois Hollstedt and M. Lynn Rolko

2. Board Governance Principles

Based on the Board Resourcing Development Office's *Best Practice Guidelines Governance and Disclosure Guidelines for Governing Boards of BC Public Sector Organizations*, CLBC's Board of Directors has adopted the following principles to guide how they exercise their governance responsibilities.

2.1 ONE VOICE

The Board speaks with "one voice" and the Chair speaks on behalf of the Board. The CEO is accountable to the Board. CLBC staff are accountable to the Board through the CEO.

2.2 ETHICAL CONDUCT

Board members are expected to conduct themselves in an ethical and professional manner that avoids real or perceived conflicts of interest.

2.3 LOYALTY

Board members must be loyal and are accountable to exercise their powers and discharge their duties in good faith, honestly and in the best interests of CLBC.

2.4 CARE, DILIGENCE AND SKILL

Board members will exercise the degree of care, diligence and skill that a reasonably prudent person would in comparable circumstances.

2.5 CONDUCT TO OTHER MEMBERS

Board members will not publicly criticize the motives, ability or personalities of fellow Board members.

2.6 INTERACTION WITH THE CEO

In their interactions, Board members must recognize that any individual member or group of members does not have authority over the CEO, or staff or contractors of CLBC.

2.7 CONFIDENTIALITY

Board members will maintain all information they receive respecting Board proceedings in confidence and will comply with all privacy legislation applicable to the operations of CLBC.

3. CLBC Senior Management Team

Brian Berglund Chief Information Officer	**Marsha Goldford** Director, Human Resources	**Carol Goozh** Vice-President, Quality Services
Paula Grant Director, Policy	**Sally Greenwood** Director, Communications	**Richard Hunter** Vice-President, Corporate Services
Rick Mowles Chief Executive Officer	**Brian Salisbury** Director, Strategic Planning	**Doug Woollard** Vice-President, Community Planning and Development

CLBC Board members and senior management staff can be reached by phone at 604-664-0101 or 1-877-660-2522 (Toll Free) or by email at info@communitylivingbc.ca.

Strategic Context

Mandate

Under the *Community Living* Authority *Act*, CLBC must endeavor to:

- Offer a range of funding and planning options that promote choice, flexibility and self-determination, for example, individualized funding, independent planning support and the involvement of community resources
- Promote choice and innovation in the manner in which services are delivered
- Encourage shared responsibility among families, service providers and community resources
- Utilize and further develop the capacity of individuals, families and community resources
- Assist adults with developmental disabilities to achieve maximum independence and live full lives in their communities
- Promote equitable access to community living support, and
- Coordinate the provision of community living support with services provided by the government and community resources

Vision

CLBC's vision is one of full citizenship in which people with developmental disabilities lead good lives, have rich relationships with friends and family, financial security, choices in how they live their lives, meaningful employment opportunities and are accepted and valued as citizens. This vision is best described as people leading ***Good Lives in Welcoming Communities***. As a steward of this vision, CLBC is committed to supporting the growth of inclusive, supportive communities.

CLBC's Vision is ***Good Lives in Welcoming Communities.***

Mission

CLBC responds to the life-long needs and goals of individuals and families by recognizing their abilities and contributions, sharing leadership with communities, and funding supports that honour individual choice.

Values

CLBC understands that individuals and families have hopes and dreams like everyone else and are in the best position to understand what their needs are and how they should be met. CLBC is committed to upholding the following values in everything it does:

- Respecting the rights of all people
- Supporting people to make their own decisions
- Supporting people to achieve their dreams for the future
- Respecting the important role of family and friends in people's lives

- Promoting people's ability for life-long learning, development, and contribution
- Being open, honest and fair in all aspects of our work
- Working cooperatively with others
- Promoting a culture of responsibility, respect and trust
- Supporting our employees to do their best
- Inspiring creativity and innovation
- Striving for quality in everything we do
- Being accountable to the people we serve

Implementing CLBC's Service Delivery Model

CLBC began phasing in its new service delivery model on July 1, 2005. Using a developmental approach, during the past 18 months proposed changes were evaluated and strategies that did not achieve expected results were redefined. Implementation of the foundational elements of the model is now complete. However, the scope of change is significant. This means that refinements in both policy and practice will continue for a number of years. CLBC staff, individuals and families served, service providers and other community partners require time to develop a greater understanding of, and experience with, an entirely new approach to planning and delivering supports and services needed by adults with developmental disabilities and children and youth with special needs and their families.

The activities below guide CLBC as it continues to improve how it responds to the needs of those it is mandated to serve.

1. Focusing on operations

Focusing on operations includes improving operational efficiency of funded programs and services, reducing administrative overheads where possible and implementing quality assurance, performance management and accountability reporting initiatives for CLBC operations and contracted programs and services.

2. Taking a proactive approach to health and safety

Safety, security and well-being of individuals and families are very important. Recognizing there is no single solution to addressing the well-being of the people we support, CLBC is committed to implementing a wide range of formal and informal safeguards that respect the rights of individuals and families.

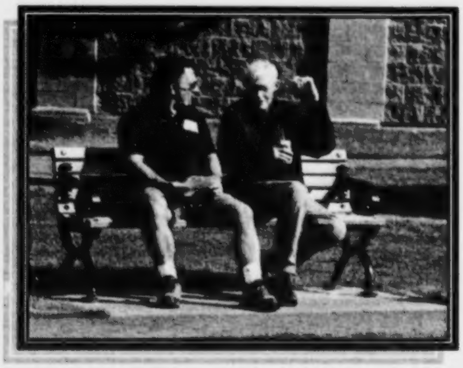
3. Partnering with communities

CLBC's "community-first" focus means that wherever possible, communities through their representative Community Councils will collaborate in making decisions and will be accountable for those decisions. This includes prioritizing the use of available funding, recommending needed changes in how supports and services are delivered and identifying opportunities for service innovation.

4. Involving CLBC staff

CLBC's most valuable resource is its staff. Their knowledge, experience and support are essential to successfully operate the organization. By involving staff in every aspect of its work, CLBC will create a unified and motivated group of staff who will help CLBC to achieve its vision and the highest standard of performance.

The goal is to create an environment that empowers staff, supports teamwork, encourages everyone to be innovative, emphasizes open communication, promotes community, individual and family involvement, removes barriers to service and ensures continuous quality improvement.



5. Communicating effectively

CLBC focuses on effective two-way communication with key stakeholders, using existing channels and providing regular plain language updates. The website and newsletter have been redesigned to better inform constituents about CLBC's activities and projects. CLBC places an emphasis on listening to others' views and building on the shared values and principles in community living to enhance quality of life outcomes for individuals and families.

Planning Context and Key Strategic Issues

1. Introduction

Along with introducing a new, person-centred approach to providing needed supports and services, change continues to occur in a planned and thoughtful way in virtually every aspect of the administration and delivery of BC's developmental disability service delivery system. This includes new business practices and information technology and management information systems, as well as changes in policy, field level practice and contract management. These initiatives are major in scope and many will require a number of years to complete. People also need to be able to work effectively in what will be an entirely new environment. This requires dialogue, and training and support for everyone involved in community living, in order to maximize the benefits that can be gained from CLBC's new approach to planning for and providing community supports and services.

2. Summary of Key Risks and Challenges

Below is a high-level summary of key risks and challenges that CLBC must be prepared to address in the short term as it continues to change the way in which community supports and services are designed and delivered.

2.1 INCREASED DEMAND FOR SERVICE

Factors contributing to increased demand for services, and greater difficulty in managing costs, include:

- ***Increasing population served*** - Like the general population, health services and technology extend life expectancy of individuals with developmental disabilities. As a result, the overall population served is increasing
- ***Increased support requirements with age*** - As individuals age, their needs change and additional supports are required to enable them to live in the community, or they may need to move into expensive residential services. CLBC provides services to 28% of the predicted 35,400 people who meet the definition of developmental disability. The remainder do not access CLBC funded supports or they receive support from their families. As these individuals age, their needs can be expected to increase and some will likely approach CLBC for services
- ***Earlier onset of age related needs*** - Health issues occur up to 20 years earlier for people with developmental disabilities. Those aged 45-64 who CLBC serves will increase by 27% in the next five years resulting in an increased demand for enhanced services

- ***Increasing age of caregivers*** - As individuals age, so do their parents and other informal caregivers. While some people supported at home may not require additional support, an increasing number who previously received no support or only day programs from CLBC will require residential support due to informal caregivers' declining health and capacity. This is particularly true of caregivers who will enter the 65+ and even the 80+ age group
- ***Children turning 19*** - In the last three years 1,014 children with developmental disabilities turned 19. Resources are directed first to those with significant health and safety issues. Like the school system, which is experiencing increased demand from parents of children with special needs, parents expect CLBC to provide day support when children reach 19 years. Typically, if no services are available, these individuals are at home during the day with no structured activities. Opportunities for skill enhancement and inclusion are lost and some parents quit work to provide care. The family environment becomes stressful leading to crisis and potential breakdown. Under some circumstances, families may request CLBC to provide a safe living environment. Once this occurs, a full day program is often required, rather than a partial program or respite, and it is very difficult to move the young adult back to the family home. CLBC works to provide opportunities for these individuals
- ***Community awareness and expectation*** - CLBC's creation has attracted significant local, national and international attention. BC self-advocates and families in particular expect that this will lead quickly to increased choice, service innovation, improved access, more services and reduced wait-times. It is also anticipated that some people currently not receiving services from CLBC, but who are or might be eligible, will seek supports
- ***Past Practice*** - Since 1997, increasingly rigid health and safety criteria have been used to determine access to new and enhanced services. Generally, approvals have occurred where individual health or safety was at serious risk. Often, an expensive residential resource was funded when an earlier, planned response would have led to a lower cost option to maintain the individual in the family home. Supports required by many others were not provided until the issue became critical, resulting in an undocumented backlog of service requests. This has contributed to the growth of CLBC's official waitlist
- ***New Policy*** - Eventually, a support plan will be required for each person who receives funded supports and services. CLBC's waitlist policy requires individuals and families to be notified of their plan's status and inclusion on the waitlist. CLBC has developed a waitlist of services as of March 2006. This is the first time there has been a comprehensive determination of people requesting services which provides an opportunity for much more effective planning

2.2 SUSTAINING STRONG SUPPORT FROM INDIVIDUALS, FAMILIES AND COMMUNITIES

The scope of change at the centre of the move to community governance – ***changing the way supports and services are planned and delivered*** - is fundamentally different from the previous service delivery model, and challenges people to think and act in different ways.

Sustaining strong support for CLBC's goals and objectives is challenging. This requires CLBC to address questions and concerns from various groups, while clearly communicating what it can, and cannot, realistically deliver.

2.3 DEVELOPING A SECURE AND ACCURATE ELECTRONIC INFORMATION SYSTEM

Providing quality supports and services requires current and accurate information about who is served, how they are served and at what cost, what the intended results are, what was achieved and why. This means building a new electronic information system that is both adaptable and secure.

The basic infrastructure of CLBC's PARIS information management system has been implemented after a period of development and testing; however, installation of additional available modules to fully support business processes will take a number of years to complete. Ongoing refinement will be required to maximize the potential of this information management system.

2.4 MAINTAINING A LOW RISK APPROACH

Achieving CLBC's vision depends on successfully implementing clearly defined work roles, policies that put the people we support before the needs of the system, a new information management system and business processes, and contractual relationships with providers that focus on outcomes that enhance quality of life and citizenship opportunities for those served.

These changes will take time to make, and people need to become comfortable with a new way of thinking about and responding to the unique needs of adults with developmental disabilities, and children and youth with special needs. A key challenge is making the necessary changes to the way in which services are provided, while ensuring that the vulnerability of individuals served is not increased. CLBC is committed to maintaining a "low risk" approach where planned changes are implemented carefully.

3. Capacity

CLBC has a number of strengths that will help it to achieve its goals and objectives.

- CLBC has been in existence since July 1, 2005 and has benefited from lessons learned in transitioning to its new service delivery model. Field level managers and staff are becoming increasingly comfortable with their roles
- A great deal of thinking has focussed on service innovation and sustainability. CLBC has posted an innovation framework to its website that is intended to promote innovation and creativity in how supports and services are planned and delivered
- The senior management team provides continuity and possesses a blend of management experience in community living and other sectors, has strong organizational skills, understands the strengths and weaknesses of current service delivery and is knowledgeable about what is required to implement the new service delivery model
- Various international initiatives have guided the design of CLBC and lessons learned from other jurisdictions continue to assist implementing the new approach. For example, CLBC has introduced individualized funding, a key element of a more flexible and responsive system. Lessons learned from our own experience and jurisdictions in the United Kingdom and USA which have successfully implemented this important payment mechanism will continue to help shape implementation
- Although service demand currently exceeds financial capacity, many people in community living support CLBC and want to see more creative and flexible supports and services

The following issues need to be addressed because they have the potential to affect CLBC's overall performance.

- Making needed changes to how supports and services are funded, delivered and monitored, particularly as this relates to enhanced quality of life, depends on timely, accurate information and effective business and contracting processes. Systems that support these processes are being implemented; however, they must continue to be refined in ways that continue to support CLBC to achieve its vision, mission and mandate
- CLBC staff have said they need further training (e.g. community development) to help gain the skills to operate successfully in a new environment. For this reason, CLBC's second annual staff conference on April 16-17, 2007 will have a skill building focus

- While CLBC's service delivery model is now fully implemented, it will take some time for staff to completely revise past practice approaches and to be comfortable working in a new way. This process of system and culture change will require the Board, management and staff to engage in open dialogue and to make necessary changes in policy and practice

4. Summary of Strategies to Address Key Issues and Challenges

To continue to deliver optimal supports, CLBC will implement the following high-level strategies to maximize efficiency and effectiveness of service expenditures in the long term:

4.1 MANAGING ACCESS TO SERVICES USING THE WAITLIST

Access to supports and services is governed by a waitlist policy that helps determine how financial resources are allocated in the nine Quality Service areas. As new services are provided to individuals and families, they are removed from the waitlist and as individual plans are completed service requirements and costs are amended to reflect approved requests in the support plan.

With the waitlist process on CLBC's website, and priority assigned predominantly by length-of-time-waiting, caregivers can work with CLBC and community partners to avoid crises developing. To support this, CLBC allocates a portion of funding for targeted amounts of respite to families on the waitlist.

Collecting reliable information is challenging and management recognizes that waitlist data could be more robust. This will be achieved over time as support plans are developed that benefit from the rigour and innovation that comes from person-centred thinking and planning. These measures will help ensure expenditures are within allocated amounts. However, it is anticipated the waitlist will continue to grow in the short term. Development of a children's waitlist will begin in 2007/08.

4.2 OBTAINING VALUE FOR MONEY SPENT

Strategies to enhance value for money spent that commenced in 2006/07 include:

- ***Residential Options Project*** - This systematic review of all people living in staffed residential resources will help determine if individuals wish to consider an alternative living situation that provides opportunities for greater independence and is potentially more cost-effective. This is the first comprehensive review of staffed residential resources in BC
- ***Ensuring Disability-Related Needs Are Addressed Appropriately*** – An analysis of existing arrangements and new requests for supports and services is ongoing to ensure these match the person's disability-related needs and the cost benchmarks in the Catalogue of Services which identifies the type and cost of available supports and services. Two key elements of this process are central to CLBC's service delivery model:
    - ***Individual Support Plans*** - Development of support plans for each individual, which take advantage of existing generic community services, will help to avoid or minimize the use of CLBC funded supports
    - ***Individualized Funding and Direct Payments*** - Implementation of these two payment mechanisms will provide recipients with greater flexibility and decision-making control, and can enhance cost efficiency by as much as 8% [1]

Innovation refers to new or significantly improved ideas, goods, services, processes or practices that are meant to be useful.

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[1] Stainton, Tim & Boyce, Steve (2004) I Have Got My Life Back: Users' Experience of Direct Payments. *Disability and Society*. V. 19, N. 5, 443-454.

4.3 CLBC INNOVATION PROJECT

CLBC is raising awareness about more innovative options as an alternative to traditional program based approaches such as group homes and structured day services. These initiatives fall under this project:

- **CLBC Innovation Framework** - CLBC promotes choice and innovation in how it delivers supports and services. The innovation framework identifies key elements of CLBC's innovation development program and outlines how CLBC supports innovation
- **Innovation Website** - This section of CLBC's website provides an extensive list of links to innovation related materials and activities and identifies creative support options in BC that will interest people committed to innovation
- **Young Adults Community Options Initiative** - CLBC committed $300,000 in 2006 to fund new ways to support young adults, who left school within the last three years, to obtain employment or engage in meaningful community activities. Four projects received funding. A selection committee of CLBC staff and community partners also serves as the innovation reference group
- **From Good to Great: Developing Person-Centred Agencies in BC (Phase 2)** - This project aims to increase service provider capacity to develop effective person-centred support plans which are key to developing innovative options and leveraging generic community services. Phase Two is being implemented in partnership with 21 community agencies
- **Innovation Support Network** – This group of service providers supports the development of creative options for individuals and families. The Network is exploring different ways CLBC and its partners can acknowledge and establish new and creative ways to support individuals and their families to achieve their goals. Additional roles include leadership, mentoring and providing technical support to other agencies interested in implementing innovative options

Greater awareness about what is possible must occur before there is a significant "trickle down" to everyday practice. Some agencies already provide innovative supports and an increasing number want to "re-model" existing services. Continued efforts to raise awareness about innovation and how it can be achieved, combined with individualized funding and person-centred planning, will support more individualized approaches in the years ahead.

4.4 ADULT COMMUNITY LIVING RESEARCH PROJECT

This project is based in the School of Social Work and Family Studies at UBC, with research partners from UBC Okanagan, Kwantlen University College and the Roeher Institute. Investigators will make recommendations on the potential application of innovative models and practice approaches in these areas: 1) Services to seniors; 2) Alternatives to group homes; 3) Non-residential supports; and 4) Services for young adults aged 19-24. The researchers completed literature reviews in each area and conducted a preliminary review of programs in BC, Canada, and internationally. Focus groups, and interviews with individuals and families, were held to determine what is and is not working, and what participants want to see in the future.

The final phase will begin in 2007 with a large-scale survey of service users and families on issues identified in the previous phases of the research. Researchers will also speak to service providers and professionals adding another level of understanding of programs and supports that are working well and these will be inventoried.

The result will be a detailed picture of effective community living supports available in BC, as well as options working elsewhere, that show promise in meeting individual needs. Research findings will be shared widely once the final reports are completed.

4.5 Continue to Refine Implementation of CLBC's Service Delivery Model

CLBC's model seeks to enhance the person-centred focus of planning, increase effective utilization of community resources, encourage innovative support models and practice approaches, and decentralize budgetary authority and accountability to support local decision making. Communities will have input through Community Councils into budget priority setting, service innovation and in assessing the performance of CLBC and contracted providers. Because person-centred thinking and practice is new to many people, efforts must continue to encourage open dialogue and to provide training and support to all stakeholders to ensure that the potential in this new model is realized.

4.6 Improve Planning Support to Avoid Crises

This strategy involves developing and funding person-centred support plans for new requests for support or service enhancements. Person-centred planning is based on use of the Individual and Family Support Policy that outlines how funding and services can be accessed. Individuals and families, with support from facilitators and service providers as required, can carry out planning. The goal is to provide person-focused and cost effective supports and services that meet people's disability-related needs, and also helps CLBC to avoid costly health and safety crises responses.

Individual support plans are a cornerstone of the vision for community living services and the effective management of scarce resources. Improving planning support requires an investment in training for all stakeholders including CLBC's analysts who review and approve requests for funded supports and services.

4.7 Implement Improved Contract Management Practices

This strategy involves developing, in consultation with our service partners, contract policies and processes that reflect output and outcome based contracting, evaluating all existing contracts based upon those measures and amending contracts that do not meet effectiveness and efficiency criteria. The Catalogue of Services will assist in benchmarking costs and contracting, and promote transparency and equity.

4.8 Implement Enabling Information Technology

A critical obstacle to effective system management is the lack of comprehensive and reliable data on the actual needs of individuals in the system, the nature of the services they receive and the cost of those services. The new information technology system now being implemented will allow CLBC staff to access accurate information in a timely way and input information more efficiently. This is particularly important for facilitators who are required to spend more time in the community with individuals and families. A key to this direction is the PARIS information management application that provides the electronic social service record for individuals receiving CLBC funded services and supports.

Information collected by staff will help develop individual support plans that link the needs and goals of individuals and families to generic community services and funded supports and ensure maximum flexibility for individuals and families. This will enhance CLBC's ability to gather information on individuals, services and service providers to improve planning and decision-making. Privacy rights of individuals and families will be respected. Work on this system will continue for a number of years.

4.9 the Family Independence Fund

Government provided $30 million to CLBC to establish the Family Independence Fund. This Fund provides one-time only grants to eligible families to assist them in keeping their children or young adults in the family home. The Vancouver Foundation administers the granting process. The first grants were made in the fall of 2006.

4.10 INCREASING COMMUNICATION

CLBC continually seeks to increase its communication with individuals, families, interested community members and other stakeholders on the mandate of CLBC. This helps clarify what CLBC hopes to achieve and provides information about the different types of supports and services it can and cannot provide.

Strategies include continuing to develop a database of individuals and families served to support direct communication, and increasing the circulation of the bi-monthly newsletter and the number of people who visit the website.

CLBC also routinely seeks community input on different initiatives and projects from its stakeholders through a number of working groups. This two-way communication will be further enhanced through the imminent establishment of the Advisory Committee and Community Councils.

5. Key Strategic Issues

The four key strategic issues below have the potential to adversely impact CLBC's planning in the next three years:

- **Managing the process of change** – Moving to a new community governance and service delivery model is the most significant change in community living since the deinstitutionalization movement (1975–1996). Sustaining a shift of this magnitude is a very complex undertaking and requires each person to examine old problems through "new eyes". Supporting stakeholders to understand what is required in order to think and act in entirely new ways will greatly assist efforts to achieve what is possible under CLBC's new approach
- **Recruitment and retention** – The quality of community supports and services is dependent on the ability of not-for-profit organizations and private agencies to recruit and retain qualified staff. BC's strong economy means many contractors are experiencing serious labour shortages
- **Service provider cost pressures** - CLBC must continue to ensure that financial compensation remains competitive, or there is a risk that some community service providers may withdraw their services
- **Eligibility issues** - CLBC's current eligibility criteria restrict access to supports and services to individuals with a documented developmental disability. Any expansion of these criteria, whether in response to a Court Ruling or public advocacy, would have significant financial, policy and practice implications for CLBC.

  There are a significant number of vulnerable adults who have been identified who require supports and services but for whom no one ministry or authority has statutory or assigned responsibility. Addressing the needs of this vulnerable population is a government wide issue

CELEBRATE COMMUNITY LIVING

Goals, Objectives, Strategies, Measures and Targets

Introduction

CLBC's long-term goal, objectives, strategies, performance measures and targets for the next three years are below.

Performance measures and targets will continue to be refined as new and better information becomes available.

CLBC's Long Term Goal

CLBC's long-term goal is to provide supports and services that are responsive and accountable to the needs and citizenship aspirations of individuals and families CLBC is mandated to serve.

Between July 1 and December 31, 2005 CLBC laid the foundation necessary to achieve its important long-term goal by beginning to establish new policies and practice guidelines and a completely new technical and business process infrastructure. At the same time, it operated the service delivery system transferred from MCFD on a status quo basis.

Between January 1, 2006 and July 31, 2006 CLBC completed implementation of its service delivery model. This included establishing new office locations, staff roles and business processes.

During the period of 2007/08 – 2009/10, CLBC will focus on refining the operation of its service delivery model. This will include the continuance of staff training and making any necessary changes to its business processes and the way in which supports and services are developed and implemented in BC.

CLBC recognizes that many different issues need to be addressed over time to fully achieve the benefits of moving to community governance. The objectives, strategies, performance measures and targets in this Service Plan have been selected because they represent priority areas where progress must be made in the short term. Successful achievement in these areas will lead to a more flexible, responsive and sustainable system that serves more people in innovative ways.

Objectives, Strategies, Performance Measures and Targets

CLBC has identified five main objectives to achieve its long-term goal.

- **Successfully operate community living services during transition**
- **Build capacity in CLBC's staff, systems and processes**
- **Implement innovative and responsive services**
- **Increase choices for individuals and families**
- **Increase community awareness and involvement in CLBC**

CLBC Performance Plan Summary

MISSION: CLBC responds to the life-long needs and goals of individuals and families by recognizing their abilities and contributions, sharing leadership with communities, and funding supports that honour individual choice.

Great Goal #3	Goal	Objectives	Performance Measures
Build the best system of support in Canada for persons with disabilities, those with special needs, children at risk and seniors.	**To provide supports and services that are responsive and accountable to the needs and citizenship aspirations of individuals and families CLBC is mandated to serve.**	**1. Successfully operate community living services during transition**	Number of adults with developmental disabilities served Number of children and youth with special needs and families served * Percentage of people requesting CLBC funded supports and services for the first time that have an individual support plan
		2. Build capacity in CLBC's staff, systems and processes	Percentage of staff who receive competency based training specific to their role Percentage of staff who demonstrate through testing they have successfully applied what they have learned through training * Percentage of staff who achieve their annual performance goals *
		3. Implement innovative and responsive services	Increase in the number of people receiving CLBC supports who express satisfaction with CLBC services Percentage of adults currently receiving residential or day services who have an individual support plan in place
		4. Increase choices for individuals and families	Number of people using individualized funding to purchase supports and services Number of people receiving direct payments for adult respite
		5. Increase community awareness and involvement in CLBC	Number of unique people who visit CLBC's website Number of people who receive CLBC's newsletter

*** New performance measure**

Objective #1: Successfully Operate Community Living Services During Transition

Continuing to refine the system so that it responds to individuals' and families' needs in a timely and effective manner, and ways that are consistent with CLBC's vision and mission, will take a number of years. Transition is the time stakeholders require to develop the knowledge, skills and competencies required to successfully implement person-centred thinking and practices. This is the basis of a fully transformed system.

During this period, it is critical that individuals and families served now continue to receive needed supports and services without interruption. Developing individual support plans will also assist people seeking funded supports from CLBC for the first time to meet their needs.

1.1 STRATEGIES

Strategies to operate community living services successfully during the transition period:

- Ensure continuation of supports and services for those people served now
- Develop a support plan for each new individual receiving funding or supports from CLBC
- Share information with individuals, families, service providers and community members through public meetings, website, newsletter and other printed materials to increase understanding about CLBC's activities and initiatives
- Finalize agreement with MCFD on the delivery of children's programs and services

1.2 PERFORMANCE MEASURES

An indicator of CLBC's capacity is the number of individuals and families with open files who receive funded supports as well as services such as information and referral support from facilitators.

Because a support plan helps determine provision of funded supports and services, it is important to increase the percentage of people who have a support plan in place that receive CLBC funded supports and services for the first time. This will help CLBC enhance its planning capacity and develop new, innovative approaches to meet identified needs.

PERFORMANCE MEASURES	**TARGETS**				
	2005/06 Actual	**2006/07 Forecast**	**2007/08**	**2008/09**	**2009/10**
1. Number of adults with developmental disabilities served.	**9,946**	**10,306 ***	**10,685 ***	**11,089 ***	**11,510 ***
2. Number of children and youth with special needs and families served. **		**9,036**	**9,390**	**9,779**	**10,209**
3. Percentage of people requesting CLBC funded supports and services for the first time that have an individual support plan.		**Create baseline (moved from 2005/06)**	**To be determined**	**To be determined**	**To be determined**

- * Numbers have been updated to reflect current trends
- ** New performance measure
- Note: The performance measure - *Percent of adults requiring residential supports who are offered and accept options other than the traditional group home model* – has been removed from this Service Plan. This is a historical measure first used by MCFD in their 2005/06 – 2007/08 Service Plan that is no longer appropriate, as CLBC has successfully transitioned to its new service delivery model

Objective #2: Build Capacity in CLBC's Staff, Systems and Processes

CLBC's service delivery model uses new business processes and work roles. Successful long-term implementation requires a significant investment in training, policy development, tools to support a different practice framework and new business processes and infrastructure.

2.1 STRATEGIES

Key strategies to *build capacity in CLBC's staff, systems and processes:*

- Continue to provide training for all staff on their role in CLBC's service delivery model
- Begin the process for CLBC to become accredited by 2010
- Define business processes for all aspects of CLBC's service delivery model
- Continue to implement an electronic information management system

2.2 PERFORMANCE MEASURES

Effective ongoing implementation of CLBC's service delivery model requires all staff, and in particular, facilitators and analysts, to receive timely, appropriate training. A key performance measure is the percentage of new and existing line staff who receive competency based training specific to their role.

Staff must also successfully demonstrate they can apply what they have learned through training. For example, staff has received (and continues to receive) training in the use of CLBC's PARIS information management application. CLBC will design testing to determine the actual level and nature of staff use of PARIS. Facilitators have also received specific training on person-centred thinking and planning and how to apply this to individual support plans. CLBC will track both the number and quality of plans completed. The actual testing methodology will be developed this year.

CLBC will also begin a staff performance management process in 2007/08. Goals will be set at the beginning of each year in line with CLBC's operational goals. Planning will start with the service and operational plans and cascade down from the CEO through the senior management team to field level managers and then to individual staff.

Individuals will establish SMART goals (specific, measurable, achievable, relevant and timely) and identify ways results will be measured. For example, this could be through feedback, evaluations or specific outcomes. Staff will also identify personal learning goals. Both sets of goals will become part of their Individual Performance Plan.

PERFORMANCE MEASURES	TARGETS				
	2005/06 Actual	2006/07 Forecast	2007/08	2008/09	2009/10
1. Percentage of staff who receive competency based training specific to their role.	N/A *	100%	100%	100%	100%
2. Percentage of staff who demonstrate through testing they have successfully applied what they have learned through training. **	N/A *	Conduct testing to establish a baseline	20% over baseline	20% over previous year	20% over previous year
3. Percentage of staff who achieve their annual performance goals. **	N/A *	Establish baseline	20% over baseline	20% over previous year	20% over previous year

- * N/A – Not applicable
- ** New performance measure

Objective #3: Implement Innovative and Responsive Services

CLBC is committed to implementing innovative, responsive supports and services based on personal choice which meet the unique needs of individuals and families served. This will assist CLBC to use its resources more effectively and help to reduce the waitlist.

Due to a long-standing reliance on traditional service models such as group homes and structured day programs, achieving this objective requires CLBC staff, individuals, families and service providers, to re-think "what is possible". This will require an investment in both training and public education to raise awareness about different options.

3.1 STRATEGIES

Key strategies to support this objective:

- Implement and refine as necessary a Catalogue of Services that identifies the type and cost of available services, while providing the flexibility needed to develop entirely new options. The Catalogue is intended to facilitate consistency in contracting and promote transparency and equity in the allocation of financial resources
- Develop and implement appropriate individual safeguards where requested or required
- Develop and implement Home Living Standards and a Successful Practices Guide to support smaller family homes that provide services to adults
- Increase agency capacity to provide supports and services, consistent with CLBC's vision and mandate, by establishing a contract framework that focuses on person-centred outcomes
- Increase awareness and availability of innovative residential and community support options for adults with a developmental disability
- Develop individual support plans for individuals now supported by CLBC
- Identify individuals in group homes who wish to move to alternative living arrangements and recruit and train appropriate residential caregivers (Residential Options Project)

3.2 PERFORMANCE MEASURES

A key performance measure is the percentage of people who express satisfaction with services received. Random surveys are conducted with people who receive, or are eligible to receive, CLBC funded supports and services. This includes direct services provided by contractors as well as planning support provided by facilitators.

Data analysis of surveys conducted in three of CLBC's nine Quality Service Areas in the past year is now underway. Indications are that approximately 60% of people surveyed are satisfied. Previous satisfaction level targets for 2007/08 and 2008/09 were percentage increases of 20% and 30% respectively above a baseline to be established in 2006/07. Because we now have a preliminary baseline, and for the sake of greater clarity and public understanding, these targets have been revised to reflect an actual percentage increase in satisfaction levels. Accordingly, targets for the three-year period of 2007/08 – 2009/10 are now 65%, 70% and 80% respectively.

As well, achieving real service innovation over time will require all people now served in residential or day programs to have an individual support plan in place that clearly identifies their personal goals and objectives. The individual support plan is the primary vehicle used by CLBC to make decisions about the allocation of both individualized funding and already funded supports and services provided by community service providers.

PERFORMANCE MEASURES	**TARGETS**				
	2005/06 Actual	**2006/07 Forecast**	**2007/08**	**2008/09**	**2009/10**
1. Increase in the number of people receiving CLBC supports who express satisfaction with CLBC services.	**N/A**	**Establish baseline (Initial data analysis suggests a 60% figure)**	**65% * (Was 20% increase from baseline)**	**70% * (Was 30% increase from baseline)**	**80%**
2. Percentage of adults currently receiving residential or day services who have an individual support plan in place.	**Establish baseline**	**5%**	**15%**	**25% ** (Was 50%)**	**35%**

- * Targets revised from the previous Service Plan
- ** Target revised in light of total number of people requiring a support plan
- Note: The performance measure - *Number of adults who choose and successfully move from a staffed residential arrangement to a more individualized option* – has been removed from this Service Plan. Adults with developmental disabilities will continue to be offered choices with respect to where they live, however, CLBC does not have any pre determined targets

Objective #4: Increase Choices for Individuals and Families

Increasing the range of choices beyond current support and service models is necessary for individuals and families to enhance quality of life and achieve their personal goals. Implementation of individualized funding will provide people will opportunities to exercise greater control over the supports and services they choose or develop, and how they are provided. Similarly, making direct payments available to families will enable them to purchase needed respite in flexible and creative ways.

Available research demonstrates that people who control how funding is spent can effectively meet their needs in a cost effective manner. They also report a sense of greater empowerment. Associated with this consumer directed approach is a need to provide education and training in order to increase people's general awareness about what is possible.

4.1 STRATEGIES

Key strategies to increase choices:

- Implement individualized funding and direct payments
- Make the support of host agencies (who act as employers of record) available to individuals and families who want assistance with arranging, purchasing and managing their supports and services
- Implement new financial policies to support CLBC's service delivery model
- Educate stakeholders about service innovations and options
- Conduct research on innovative service delivery models and best practices

4.2 PERFORMANCE MEASURES

Choice must be exercised within an environment where people have maximum opportunities to define and meet their needs. Individualized funding and direct payments are mechanisms that have the potential to help shift towards a system in which personal choice is the driver of what people create, or access, to meet their identified needs. Key performance measures that speak to this outcome are the number of people who choose to use individualized funding or direct payments to purchase needed supports and services.

PERFORMANCE MEASURES	TARGETS				
	2005/06 Actual	2006/07 Forecast	2007/08	2008/09	2009/10
1. Number of people using individualized funding to purchase supports and services.	0	25	50	150	300
2. Number of people receiving direct payments for adult respite.	0	150 * (Previous target was 25)	350 * (Previous target was 75)	475 * (Previous target was 125)	600 * (Previous target was 350)

- * Forecast for 2006/07 is higher due to allocation of increased resources and higher than anticipated uptake by families. Subsequent yearly targets have been adjusted upwards accordingly

Objective #5: Increase Community Awareness and Involvement in CLBC

Successful community governance depends, in large part, on the extent to which community members from all stakeholder groups are aware of, and involved in, CLBC's activities and initiatives. Community members have diverse backgrounds and experiences that CLBC can use to inform both its policy and practice directions.

5.1 STRATEGIES

Key strategies to achieve this objective include:

- Raise general awareness about CLBC's supports and services by increasing the number of people who receive CLBC's newsletter and visit its website
- Use various communication methods to share information with stakeholders about CLBC's activities and initiatives
- Work with the Advisory Committee and Community Councils to facilitate two-way communication

5.2 PERFORMANCE MEASURES

Increasing the community's awareness of and involvement in, the work of CLBC depends on increasing the number of people who learn about CLBC's various activities and projects. CLBC needs to ensure that its various communication approaches successfully engage community members. This will help ensure their views and concerns are heard and understood and, where appropriate, incorporated into CLBC's work. This will support the likelihood that stakeholders will want to become further involved in CLBC activities and projects.

Two performance measures that indicate people are learning more about CLBC, and also support increased engagement, are the number of unique people who visit CLBC's website and the number of people who receive the bi-monthly newsletter. In CLBC's 2006/07 – 2008/09 Service Plan, the ***Number of opportunities for information exchange between CLBC and its community partners*** was proposed as a performance measure. It has been difficult to identify meaningful ways to measure this so it has been removed in this Service Plan.

PERFORMANCE MEASURES	**TARGETS**				
	05/06 Actual	**2006/07 Forecast**	**2007/08**	**2008/09**	**2009/10**
1. Number of unique people who visit CLBC's website.	**Baseline not set (data lost by web hosting company)**	**45,000 unique visitors**	**45,900**	**46,818**	**47,754**
2. Number of people who receive CLBC's newsletter.	**Establish baseline (1700)**	**2,100**	**2,250**	**2,450**	**2,675**

NOTE: Performance measure from the previous Service Plan - *Number of opportunities for information exchange between CLBC and its community partners* – has been removed.

Summary Financial Outlook

The following table provides the summary financial revenue and expenditure for 2005/06, the current forecast for 2006/07, the budget for 2007/08 and the forecast for 2008/10.

Operating Revenue & Expenditures

$ millions	**2005/06 Actual** Note 1	**2006/07 Forecast**	**2007/08 Budget**	**2008/09 Forecast**	**2009/10 Forecast**
Revenue Note 2					
Operating Contributions from the Province	424.6	610.2	646.7	671.5	700.5
Recoveries from MCFD	7.2	11.3	26.6	25.9	25.0
Other Contributions & Recoveries	3.8	7.4	6.9	6.9	6.9
Interest & Other Income	5.4	1.9	1.7	1.7	1.7
Amortisation of Capital Grants	-	0.6	1.0	1.2	1.6
Total Revenue	441.0	631.4	682.9	707.2	735.7
Expenditures					
Contracted Services					
Adult & Provincial Services	377.7	530.2	564.0	589.3	617.3
Children's Services	-	53.1	69.2	68.9	68.5
Regional Operations & Administration	33.1	46.4	48.1	47.0	47.6
Family Independence Fund Grant	30.0	-	-	-	-
Capital Asset Amortisation	-	1.0	1.6	2.0	2.3
Total Expenditures	440.8	630.7	682.9	707.2	735.7
Net Income(Loss)	0.2	0.7	-	-	-
Net Assets ***(retained earnings)*** **($ millions)**	1.4	2.1	2.1	2.1	2.1
Capital Expenditures ($ millions)	3.7	2.5	2.2	2.0	2.0
Full Time Equivalents	446	489	494	474	474

Note 1 Nine months only.

Note 2 Contributions from the Province excludes contributions for capital purposes

CLBC was incorporated July 1, 2005 and accordingly the results for 2005/06 represent nine months of operation and reflect the revenue and expenditure to provide community living services to adults. On April 1, 2006, CLBC assumed budgetary responsibility from MCFD, and received operating contributions from the Province, for a segment of the children receiving community living services. During 2006/07, CLBC has assumed contract responsibility for community living services for a further group of children, the funding for which is provided through recoveries from MCFD.

Contributions from the Province

Contributions are provided by the Province through transfers to CLBC under Voted Appropriation 21 within MCFD. Additionally, CLBC receives contributions-in-kind of information technology infrastructure provided without charge and, in 2005/06, a one-time contribution to establish the Family Independence Fund administered by the Vancouver Foundation.

The 2007/08 budget includes an increase in contributions from the Province of $36.5 million compared to the 2006/07 budget. $17.0 million of this relates to compensation and other cost pressures and adjustments arising in our contracted service providers and within CLBC's own operations. The balance of $19.5 million is available to provide new or enhanced services to adults.

Contributions from the Province

$ millions	**2005/06 Actual** Note 1	**2006/07 Forecast**	**2007/08 Budget**	**2008/09 Forecast**	**2009/10 Forecast**
Vote 21					
Operating Contributions	392.4	608.0	646.0	670.8	699.8
Capital Contributions	4.1	1.7	0.5	2.0	2.0
	396.5	609.7	646.5	672.8	701.8
Other Operating Contributions					
Information Technology services-in-kind	2.2	2.2	0.7	0.7	0.7
Family Independence Fund Grant	30.0	-	-	-	-
	32.2	2.2	0.7	0.7	0.7
Total Contributions	**428.7**	**612.0**	**647.2**	**673.5**	**702.5**

Note 1: Nine months only.

Recoveries from MCFD

In addition to providing services to CLBC supported children, CLBC provides regional staff and management functions for children's services funded by MCFD. During 2006/07, CLBC also assumed contracting responsibility for these services. CLBC recovers the staff, operational costs and contracted service costs from MCFD.

Other Contributions and Recoveries

Other contributions and recoveries arise from cost sharing agreements with BC Health Authorities and the Federal Government, and Federal support payments related to children in care.

Contracted Services

Supports to individuals served are provided through contracted agencies in communities across BC. Supports are ongoing commitments of resources and when implemented part way through a year they annualize to a higher level. As a result, CLBC's regional management monitors budgetary commitments on a multi-year basis, understanding the impact of the support commitments they make both in the current fiscal year and the following fiscal year as the costs annualize.

In addition, regional management is constantly monitoring services and working with providers to ensure that supports provided are appropriate to people's disability-related need and are delivered in the most cost effective manner. This ongoing activity will be augmented by the Residential Options Project, which commenced in 2006/07.

By March 31, 2007, the project team will have interviewed all adults in staffed residential resources and identified those that wish to consider moving to an alternative, more individually structured, residential setting.

The 2007/08 budget estimates that CLBC's ongoing focus and monitoring, plus the implementation of individual choices from the Residential Options Project, will result in savings of $7.6 million in 2007/08 (Forecast 2006/07 - $4.1 million) which can be re-directed to providing new or enhanced services to other individuals. With these savings and the increased contribution from the Province for service growth, CLBC will be able to implement new or enhanced services for adults with an annual cost of $27.1 million (Forecast 2006/07 - $27.6 million).

Within children's contracted services, CLBC will continue to focus on maintaining family integrity by committing resources to family support as they are freed up from residential services.

Budget Assumptions/Risk Assessment

Demographic and inflationary assumptions adopted in preparing the budget are as directed by the Province and includes increased compensation costs and associated funding arising from the collective agreements.

Service demand has been projected based on eligibility criteria that are currently applied to the population CLBC now serves.

Forecast demand for new and enhanced services exceeds resource increments included in this budget. Addressing this growing demand will require the successful implementation of a number of initiatives designed to utilize existing resources more effectively, including:

- Increased utilization of alternative residential models
- Improved planning support to avoid crisis, including providing more respite support
- Improved contracting practices

In particular, the level of new-service provision is dependent on the success of the Residential Options Project, which will be determined by:

- Number of individuals choosing to pursue an alternative residential model
- Level of service provider cooperation and participation in such a transition
- Ability of CLBC staff to expedite individual moves at a time of considerable change within CLBC operations

Key risks identified earlier in this plan may become more critical should service demand exceed CLBC's ability to respond.

- Loss of support from individuals, families and communities could compromise CLBC's service re-design and reduce the effectiveness of initiatives to improve resource utilization and introduce such innovations as individualized funding
- Inability to properly fund person-centred plans or provide respite support may increase the utilization of more expensive resources in response to crisis

Changes in service delivery require significant lead-time due to the care with which they must be implemented to ensure the health and safety of individuals served.

CLBC is undertaking significant organizational change as well as implementing a comprehensive, organization-wide management information system and addressing the cost implications of significant service demand pressures. To mitigate risk inherent in change of such size and complexity, CLBC is following a project management discipline and has implemented comprehensive management reporting processes.

Capital Budget

Capital expenditures are funded by restricted contributions from MCFD. Such contributions are deferred capital contributions and are amortized to income over the life of the related asset. Expenditures include information systems, furniture, leasehold improvements and vehicles.

In addition, government has allocated funding within its consolidated capital plan for CLBC building and property requirements to implement the strategies outlined in this service plan. CLBC's allocation is $6.9 million in 2007/08 and $0.6 million in 2008/09 and 2009/10. This funding is available subject to approval of Treasury Board of specific capital projects.

Glossary

Accreditation – Accreditation is a way to examine the extent to which an organization meets specified external standards. It involves comparing an organization's actual performance with existing industry standards of operation. Skilled and trained surveyors/peer reviewers from a third party accrediting body check an organization against national or international standards. The same standards of the accrediting body are used for all similar organizations surveyed.

Advisory Committee – A 10-member committee that provides CLBC's Board of Directors with a provincial point of view in these areas: reviewing satisfaction levels with CLBC's services by gathering information through members' communication networks, and making recommendations for improvements in CLBC's Service Plan and Strategic Plan; recommending policy and practice to improve quality of life for people served by CLBC; exploring long range issues that may affect CLBC and recommending solutions; and collecting and sharing information throughout BC on new support options.

Analyst – A CLBC staff member who determines eligibility, makes decisions on requests for funding and/or services and monitors contracts, assesses system gaps, develops increased provider capacity, ensures a crisis response capacity exists in local communities, and works to improve the effectiveness of contracted services.

Children's Transformation Working Group – A group of stakeholders that represent the community's interests in the establishment of CLBC and the development of children's programs and services.

Child/Youth and Family Support Plan – A plan that families can develop on their own, or with the assistance of a CLBC facilitator, personal network members, friends or other trusted advisors, that identifies how their child's or youth's disability-related needs will be met, and what their goals are for living in the community.

Community Council – A voluntary body in each of the 17 Community Living Centre areas that operates using guidelines established by CLBC and whose roles include stimulating new service approaches, helping to set local budget priorities and providing feedback on how CLBC and service providers at the community level are responding to the needs of individuals and families.

Community Governance – A model of decision-making authority in which those most impacted by disability, including individuals with developmental disabilities, family members, and others with a significant connection to disability play a central role in governing the delivery of services and supports to adults with disabilities and children and youth with special needs and their families.

Community Living Authority Act – An *Act* of BC's legislature that provides the statutory basis for CLBC.

Developmental Disability – Presence of a developmental disability is determined by an assessment provided by a registered psychologist.

Direct Funding – A fixed amount of funding provided directly to an individual or family so they may purchase a specified service.

Facilitator – A CLBC staff member who provides information, advice and practical support to eligible individuals and families, independent from service providers and CLBC funding decisions, to assist them to develop and implement individual support plans.

Home Living Standards – Standards that have been developed specifically for smaller, unlicensed homes (family care) that are not required to be accredited. CLBC has identified 14 domains against which these homes will be evaluated that range from individual care and support, and home environment, to community inclusion.

Individualized Funding – Money allocated by CLBC to an individual or family member to enable them to pay for supports and/or services to meet their disability-related needs that have been identified in a support plan. The amount of funding is based on the person's identified disability-related needs.

Individual Support Plan – A plan that adult individuals can develop on their own, or with the assistance of a CLBC facilitator, personal network members, friends or other trusted advisors, that identifies how the person's disability-related needs will be met, and what their goals are for living in the community.

Memorandum of Understanding – An agreement between MCFD and CLBC that outlines how the delivery of children's services and programs occurs and clarifies the roles and responsibilities of both parties.

Provincial Assessment Centre – A designated 12-bed Provincial Mental Health Facility that provides multi-disciplinary assessments, diagnosis, medication reviews and recommendations for individuals with a dual diagnosis who are 14 years and older experiencing mental illness and/or other severe behavioural issues or challenges.

Safeguards – Mechanisms that are used to ensure people are kept safe and not put at increased risk because of their vulnerabilities. Safeguards include formal safeguards such as those provided by accreditation standards, legislation and service monitoring by CLBC analysts, and informal safeguards provided through community visibility, caring and supportive relationships, informal monitoring and visitation programs by community members and increased social consciousness.

Service Provider – A person or organization delivering community living support under an agreement with CLBC or a person authorized by CLBC.

Shared Care – A model being developed by CLBC to provide individualized, flexible, out-of-home living supports for children with special needs

Successful Practices Guide – This Guide accompanies the Home Living Standards and provides home living contractors with information, ideas and materials on best or successful practices that will assist them to effectively support individuals within the community and their homes.

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First Peoples' Heritage, Language and Culture Council

FPHLCC

Service Plan

2007/08 – 2009/10

JANUARY 2007

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Note about language usage in this document

For the purposes of this document, "First Nations" is used in reference to registered on- and off-reserve and non-status individuals and organizations original to British Columbia, while "Aboriginal" is used in reference to all indigenous peoples in Canada, including First Nations, Inuit and Métis. FPHLCC programs, with the exception of the arts program, are developed specifically to support B.C. First Nations communities.

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January 2007

Board Chair's Message

Honourable Minister Mike de Jong
Minister of Aboriginal Relations and Reconciliation
PO Box 9042 STN Provincial Government
Victoria B.C. V8W 9E2

Dear Minister de Jong:

On behalf of the Board of Directors of the First Peoples' Heritage, Language and Culture Council, I am pleased to submit our 2007/08 – 2009/10 Service Plan.

The FPHLCC was established in 1990 to support British Columbia First Nations communities and organizations in revitalizing local cultures and languages, and to provide leadership, support, and advice to the provincial government on how best to ensure the preservation of B.C.'s unique and rich First Nations cultures and languages. Our work includes administering effective funding programs, conducting research, building capacity, tools, resources and partnerships, and visioning, planning, and providing support to First Nations communities, arts and language organizations, and to government.

Changes this past year include a move to a new location in renovated premises in Brentwood Bay (to keep administrative costs down) and Board renewal, with five new members who bring new skills and experience to our organization.

FPHLCC is uniquely placed to coordinate revitalization and preservation of First Nations arts, language and culture in B.C. Our action goals this year include: formalizing our communications network, carrying out a feasibility study for a new building, and continuing to work with the BC First Nations Leadership Council to create a language agenda.

We continue to maintain existing programs as well as expand services, especially in support of the grassroots work of our language and culture stakeholders. We have been actively seeking additional funds to expand resources available for First Nations language and culture, working to raise the profile of our organization and the issues faced by BC First Nations, and promoting cooperation and collaboration to maximize the impact of program dollars.

We are proud of the success in getting First Nations languages on the agenda at the Premier's First Citizens' Forum this past year—bringing together language experts and government. Feedback was very positive, with one language champion saying that in her 40 years working in the field she never thought the day would come when she would be sitting down with the Premier and his ministers to talk about language revitalization.

While we are encouraged by Premier Campbell's vision of a "New Relationship" with B.C.'s First Peoples and by the positive working environment and commitment to revitalize and preserve First Nations languages and cultures, many significant challenges remain. The most urgent of these are the rapid and ongoing loss of fluent speakers, and insufficient funds to carry out our mandate. In November of this past year, the federal government cut 60% of dedicated funds for First Nations languages—this will seriously impact our work here in B.C. The risk is concrete and immediate: the loss of irreplaceable knowledge of languages and cultural practices.

Our work to support B.C. First Nations languages and cultures is at a critical stage. We have a very tight window of opportunity. All of B.C.'s First Nations languages are "endangered" (with 1500 or less fluent speakers remaining). Our Elders, the carriers of the remaining traditional knowledge, are aging. If we are to preserve our languages and cultural practices, financial resources and capacity are needed immediately to meet this challenge.

Tyrone McNeil
Chair, FPHLCC

ACCOUNTABILITY STATEMENT

The 2007/08 – 2009/10 FPHLCC Service Plan was prepared under my direction, in accordance with the Budget Transparency and Accountability Act. I am accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with the government's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions and identifiable risks (as of December 2006) have been considered in this plan. I am accountable for ensuring that the First Peoples' Heritage, Language and Culture Council achieves its specific objectives identified in the plan, and for measuring and reporting actual performance.

Tyrone McNeil
Chair, FPHLCC

About FPHLCC

OUR HISTORY AND MANDATE

The FPHLCC is a unique Crown corporation. It was created by the government in 1990 to administer the First Peoples' Heritage, Language and Culture Program, with a mandate to:

- Provide funding to cultural and language programs
- Support and advise government and First Nations leadership on initiatives, programs and services related to First Nations arts, language and culture
- Provide services and resources for the revitalization of BC First Nations languages, arts and culture
- Advocate for BC First Nations languages, arts and culture

OUR VISION AND MISSION

Our vision is one where "B.C. First Nations languages, cultures and arts are thriving, accessible and available to the First Nations of British Columbia, and the cultural knowledge expressed through First Nations languages, cultures and arts is recognized, valued and embraced by all citizens in B.C."

Our mission is to provide leadership in British Columbia for the revitalization of First Nations languages, culture and arts. Our role is to monitor the status of First Nations languages, cultures and arts, and to develop strategies which assist communities to recover and sustain their heritage. We serve our stakeholders by providing programs and initiatives for language revitalization and by providing arts and culture programs.

FPHLCC GOVERNANCE

Each of B.C.'s 24 Tribal Councils elects a representative to the FPHLCC Advisory Committee. Acting as liaisons, the Advisory Committee members relay information on FPHLCC programs and initiatives to their communities. The Minister of Aboriginal Relations and Reconciliation appoints FPHLCC's 12-member Board of Directors. Nine members are recommended to the Minister by the Advisory Council and three members are recommended to the Minister by the Board, Resourcing and Development Office (BRDO).

OUR ORGANIZATIONAL VALUES

Accountability. The Executive Director, Board and staff are directly accountable to our stakeholders and to First Nations in B.C.

Transparency. Program procedures and decisions will be open and transparent.

Results-based. Program delivery will be efficient and outcome-based.

Collaboration. Programs will be coordinated with other service providers and language groups to maximize benefits.

Integrity. All work will be done with an overriding focus on cultural integrity and honesty.

Inclusive. Language, art, and culture programs will be open to all qualified First Nations individuals and groups throughout B.C.

FPHLCC STAKEHOLDERS

- B.C. First Nations communities
- B.C. First Nations artists
- B.C. First Nations arts and culture organizations
- Ministry of Aboriginal Relations and Reconciliation
- BC Arts Council

FPHLCC KEY PARTNERS

- B.C. Arts Now
- B.C. Caucus of Cultural Centres
- B.C. Government, Community and External Initiatives Branch (BCCEI)
- Canada Council
- Department of Canadian Heritage
- First Peoples' Cultural Foundation
- First Nations Education Steering Committee (FNESC)
- First Nations Technology Council
- University of Victoria
- Vancouver Opera Company

FUNDING DELIVERED BY FPHLCC

The BC Language Initiative (BCLI)—Provincial / $600,000 annually

Funded through the First Citizens Fund. Supports projects to revitalize B.C. First Nations languages through documentation, language classes, immersion programs, material and curriculum development and promotion. First Nations communities and organizations are eligible to submit proposals.

The Aboriginal Languages Initiative (ALI)—Federal / $200,000 annually to B.C.

Funded by the Department of Canadian Heritage. Funds are distributed through the Assembly of First Nations and then to provincial and territorial delivery organizations. Funds support community and regional projects which maintain, revitalize and promote Aboriginal languages.

The Aboriginal Arts Development Awards Program (AADA)—Provincial; available funds varies—$370,000 for 2006

Combined funds from BC Arts Council and Arts Now partners. This year, funds are being distributed to projects that support the creative or professional development of emerging Aboriginal artists and/or the sharing of traditional arts skills and knowledge, and are focused on arts organizations.

Our Strategic Context

KEY CHALLENGES

- ***An extremely limited window of opportunity for effective action.*** Due to the rapid decline in the number of fluent speakers of First Nations languages in B.C., this is the most critical and urgent challenge facing our organization. For example, in the X̱aaydaa Kil language, only 30 fluent speakers remain, and their average age is 78 years.

- ***Quantity and diversity of First Nations languages and cultures in B.C.*** We have 40 distinct languages in our province (out of the 60 languages in all of Canada's other provinces and territories combined). There are thousands of endangered cultural practices and traditional art forms unique to British Columbia and found nowhere else in the world.

- ***Insufficient funding to meet urgent needs for language and cultural revitalization at local, language group, and provincial levels.*** From 2000 - 2006, FPHLCC received requests for $12 million in funding, but had only $5.2 million to disburse.

- ***Inequities in allocation of federal funding for Aboriginal language initiatives.*** B.C. has over 60% of Canada's First Nations languages, but to date has received only 10% of total national funding.

- ***Working effectively with government.*** Government communication and approval processes remain a challenge. Examples include Board of Director appointments and the Final Report of the First Citizens' Forum.

- ***Other high-priority needs in First Nations communities, and limited resources.*** Socio-economic issues such as health, education and treaty issues compete with culture and language for limited human and financial resources.

- ***Increasing demands on FPHLCC staff and programs***. Expectations are high and being able to maintain acceptable service levels is an ongoing challenge. A second, ongoing challenge is how to balance needs for provincial administrative infrastructure and the need to distribute funds directly to communities.

KEY OPPORTUNITIES

- ***Use of technology for recording and preserving cultural and language knowledge.*** Increased usability and availability of technology (especially computers, software, and the internet) has made recording and archiving of cultural knowledge accessible and efficient for even the smallest of communities. The internet makes it possible to share cultural knowledge with community members, even if they are geographically distant.

- ***Increasing numbers of First Nations individuals and organizations with skills and experience in First Nations arts, language and culture revitalization who can provide role models, leadership and technical expertise***. These individuals and organizations are our partners and can lead and support cultural and language revitalization in their communities.

- ***A positive working environment for collaboration between First Nations and the B.C. government***. Premier Campbell's declared firm commitment to work with B.C. First Nations to revitalize culture and preserve languages encourages an atmosphere of trust and cooperation—the foundation for successful joint action.

- ***Unanimous support by BC First Nations leadership.*** Both the Union of BC Indian Chiefs and the BC Assembly of First Nations have passed resolutions of support endorsing FPHLCC as the go-to organization for First Nations arts, language and culture revitalization in British Columbia.

- ***Possibilities for increased collaboration and partnerships with diverse stakeholders and partners***. FPHLCC has the experience and skills to facilitate cooperation and coordination of the many stakeholders and partners, and to provide leadership for developing long-term and comprehensive strategies for B.C. First Nations culture and language revitalization.

- ***The 2010 Olympics***. There is great potential for the First Nations Olympic Participation Committee to support BC First Nations arts, culture and language initiatives in order to feature and celebrate the values and diversity of BC's First Peoples on a world stage during the Olympic Games. There is a further opportunity for FPHLCC to support legacies created by the games long after the games are over.

- ***Potential to lead at national and international levels by modeling innovation and best practices in culture and language revitalization*** through continued reflection and analysis on past efforts, and through actively seeking strategic partnerships and conceiving of and delivering effective programs and resources.

Summary

While a number of opportunities exist, increased funding is urgently needed to meet identified needs within the short window of time available for effective action. This is especially true for language preservation and revitalization, which is dependent on a knowledge transfer from Elders, who are ageing and will very soon be no longer with us. Already eight of B.C.'s 40 First Nations languages are extinct—there are no remaining fluent speakers. The other 32 languages are endangered and time is running out.

Objectives, Strategies, Measures & Targets

FPHLCC's goal is to provide leadership and support to assist B.C. First Nations communities in realizing their visions for the revitalization of their arts, culture and languages—so that the wealth of B.C. First Nations arts, culture and languages is preserved, accessible, recognized and valued.

1 OBJECTIVE

Create awareness of issues relevant to First Nations language, arts and culture in B.C.

STRATEGIES

Research, collect, and distribute data to raise awareness about the current state of First Nations languages in B.C.

Promote and celebrate First Nations language, arts and culture in B.C. through collaboration and through promotional and educational events.

Performance Measures	Targets
Availability and distribution of research and information on the state of First Nations arts, culture and languages in B.C.	• Language data on 15 languages incorporated into the FPHLCC language map. • Increase in available and distributed research findings over the 3-year period. • Maintenance of information tools such as FPHLCC quarterly newsletter. • Ongoing updates of web site with new information and links.
Level of collaboration with other organizations and level of participation at local, regional, national and international conferences and events.	• Increase in FPHLCC-initiated educational and promotional events. • Increase in FPHLCC participation in additional conferences and events—local, regional, national and international.
Availability of comprehensive map (which meets the approval of B.C. First Nations) documenting the location and number of First Nations languages in B.C.	BC First Nations Languages Map available online by 2007.

2
OBJECTIVE

Deliver funding and develop strategies, tools and resources to support the revitalization of B.C. First Nations arts, culture and languages, including development of fluent speakers.

STRATEGIES

Provide arts, culture and language program funding to First Nations communities and organizations in B.C.

Facilitate discussion, research and planning of stewardship and revitalization of BC First Nations arts and culture.

Develop and distribute community development tools and resources to help First Nations communities in B.C. develop and implement long-term plans for sustainable arts, culture and language revitalization.

Archive all BC First Nations Languages.

Performance Measures	Targets
Number and quality of of applications for language, arts, and culture funding.	Increase in number of applicants and improved scores on proposal content in applications.
Number of B.C. First Nations communities and individuals directly benefiting from funded arts, culture and language projects.	Increase in number of B.C. First Nations communities and individuals benefiting from funded arts, culture and language projects.
Number of B.C. First Nations communities with their own language resources.	Increase in number of B.C. First Nations communities with resources in their own language.
Number of fluent speakers in BC First Nations languages.	Increase in B.C. First Nations speakers fluent in their traditional languages.
Number of artists learning traditional arts.	Increase in number of artists developing skills in traditional arts.
Establishment of Master-Apprentice programs .	Evaluation of feasibility of Master-Apprentice pilot project and, if feasible, implementation of Master-Apprentice pilot program.

Performance Measures	Targets
Number of FirstVoices archives.	10 new FirstVoices language archives by 2008/09.
Volume of language data archived.	70,000 new data entries in 2007/08.
Number of provincial strategies in place by 2008.	Provincial arts and culture revitalization strategies in place by 2008.
Number of capacity-building tools or activities for B.C. First Nations individuals and organizations engaged in arts, culture, and language revitalization	Increase in number of FPHLCC-developed capacity-building activities and resources.
Number of opportunities for B.C. First Nations language groups to work collaboratively, and number of language groups who are working collaboratively.	• Increase in number of opportunities for language groups to work collaboratively. • Increase in number of language groups who are working together.
Number of B.C. First Nations groups with long-term strategic plans for language, arts, and culture revitalization.	Increase in number of First Nations groups with long-term strategic plans for language, arts, and culture revitalization.
Usage statistics for arts, culture and language revitalization tools and resources.	Increase in usage statistics.
Implementation of AADA Review recommendations.	By end of 2009/10 or sooner, all AADA recommendations addressed.
Implementation of Language Program Review recommendations.	By end of 2009/10 or sooner, all Language Program Review recommendations addressed.
Feedback on quality of resources developed.	30% of resource evaluations returned.
Policies and programs in place to address suggestions made by stakeholders.	• Annual update of B.C. Strategic Plan for Languages. • Annual review of FPHLCC funding policies with attention to stakeholder recommendations.

3
OBJECTIVE

Secure sustainable and stable funding for the revitalization of First Nations arts, cultures and languages in B.C.

STRATEGIES

Continue to seek opportunities to leverage funding for arts, culture and language initiatives.

Initiate language and cultural revitalization opportunities to cost-share on initiatives that benefit First Nations communities and maximize resources with stakeholders and communities of interest.

Initiate a feasibility study for a permanent home for FPHLCC.

Performance Measures	Targets
Number of proposals submitted.	Increase in proposals submitted.
Number of cost-sharing projects with partners.	Increased level of cost-sharing projects with partners.
Completion of Feasibility Study for capital plan.	2006/07 Feasibility Study completed.

4 OBJECTIVE

Raise the profile of FPHLCC to increase opportunities for leadership, partnering and collaboration

STRATEGIES

Increase provincial government familiarity with FPHLCC as the go-to organization in B.C. for information, services, and advice related to First Nations arts, culture and language issues.

Increase familiarity among First Nations communities, organizations and regional First Nations governance representatives with FPHLCC as the go-to organization for information, services, and advice related to First Nations arts, culture and language issues.

Performance Measures	Targets
Advisory Committee membership and Board activity promoting FPHLCC in their communities.	Increase in number of resources for Advisory Committee and Board to use in promoting FPHLCC and its programs.
Advisory Committee and Board reporting to Tribal Councils.	Quarterly or bi-annual reports to Tribal Councils, articles developed for Tribal Council newsletter, and participation at Tribal Council AGMs.
Frequency of reporting to provincial First Nations stakeholders.	Increase in presentations to First Nations Leadership Council, artists organizations, UBCIC, FNESC, FNTC, FN Summit, AFN, NEDAB, and language and education conferences.
Distribution of current information publications (newsletter, Government Service Plan, Annual Report).	Increase in distribution of current FPHLCC information publications.
Number of contacts, requests, and collaborative projects with government staff, agencies and ministries.	Increase in number of contacts, requests, and collaborative projects.

5 OBJECTIVE

Further develop FPHLCC as a strategic, results-based organization

STRATEGY

Incorporate professional administrative practices which continualy evaluate and improve business processes.

Performance Measures	Targets
Reporting for contracts and contributions.	All financial and narrative reporting requirements met.
Standing with funders.	Continued good standing with funders.
Feedback collection and analysis.	• Ongoing collection of client feedback through needs assessments, focus groups, written reports, and through the Advisory Committee. • Annual review of feedback.
Turnaround time for Memorandum of Understanding (MOU) and reporting.	Improved turnaround times.

Alignment with Government Strategic Plan

FPHLCC ALIGNS WITH THE GOVERNMENT'S GOALS TO:

- Make B.C. the best educated, most literate jurisdiction on the continent
- Lead the way in North America in healthy living and physical fitness
- Build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors
- Lead the world in sustainable environmental management, with the best air and water quality and the best fisheries management, bar none
- Create more jobs per capita than anywhere else in Canada

FPHLCC CONTRIBUTES TO THE GOVERNMENT'S GOALS BY:

- Promoting and supporting fluency and literacy in First Nations languages
- Promoting the connection between cultural recovery and the ability for rejuvenated communities to reclaim their financial and social independence, leading to new jobs and growth and to improved quality of life
- Revitalizing First Nations community languages and culture, which leads to community healing and improved support systems for families, resulting in a better quality of life,including educational opportunities and development of special skills through improved literacy, use of IT and e-learning
- Complementing sustainable land management involving First Nations territories through integration of language, culture and land-based knowledge

Summary Financial Outlook

	2007/08 (forecast)	2008/09 (forecast)	2009/10 (forecast)
Major Sources of Revenue			
Provincial Government	1,000,000	1,000,000	1,000,000
Department of Canadian Heritage	232,000	232,000	232,000
BC Arts Council	270,000	270,000	270,000
Arts Now	200,000	200,000	200,000
Canada Council	30,000	30,000	30,000
Other	500,000	500,000	500,000
Total Revenue	*2,232,000*	*2,232,000*	*2,232,000*
Major Sources of Expenses			
Language Program Grants	1,012,000	1,012,000	TBA
Art and Culture Program Grants	370,000	370,000	TBA
Arts Outreach	100,000	100,000	TBA
Administration	500,000	500,000	TBA
First Voices	250,000	250,000	TBA
Total Expenses	*2,232,000*	*2,232,000*	*TBA*
Operating Income (Loss)	–	–	–
Net Income (Loss)	–	–	–
FTEs			
Arts	2	2	–
Language	2	2	–
Administration	3	3	–
First Voices	2	2	–

Appendix 1 PERFORMANCE MANAGEMENT SYSTEMS

FPHLCC employs a number of strategies and tools to measure performance and to provide feedback on service delivery. These include:

Formal Program Reviews

Conducted by independent experts, using data collected from program applicants, needs assessments, focus groups, individual applicant interviews, Peer review committee recommendations and interviews and review of PRC process. Policy review committee reviews Board, administration and program polices annually.

Ongoing Feedback From FPHLCC Advisory Committee

Advisory Committee representatives from all B.C. Tribal Councils, and a representative from the FNESC meet at FPHLCC's Annual General Meeting. The Board of Directors present the FPHLCC Annual Report and the Advisory Committee members provide feedback on the administration and delivery of FPHLCC programs in their territories. The Advisory Committee also advises the Board on policy development.

Collection and Analysis of Statistics on Client Use of Services

FPHLCC collects statistics to evaluate usage and effectiveness of programming. These include funding application statistics, needs assessments, web site hits, and documentation of contacts and referrals by staff.

Focus Groups

FPHLCC seeks input from focus groups to provide feedback on new resources and on service delivery.

Online Data Collection

FPHLCC tracks usage and collects feedback online through website hits, forums and blogs. A Map of B.C. First Nations Languages in development will house data on language group statistics by the end of 2007.

Annual Performance Reviews

The FPHLCC Board reports to the FPHLCC Advisory Committee at the AGM and gathers feedback. Management and staff undergo an annual formal review process and there is an annual Board evaluation process.

Appendix 2 ABORIGINAL LANGUAGES IN B.C.

LANGUAGE FAMILY	
Language Group (English name)	*Language Group (own name)*

ALGONQUIAN

Plains Cree	*Nēhiyawēwin*
Salteau	*Anishnaubemowin*

DENE (ATHAPASKAN)

Carrier	*Dakelh (ᑕᗸᒡ)*
Babine-Witsuwit'en	*Witsuwit'en* *Nedut'en*
Chilcotin	*Tsilhqot'in*
Sekani	*Tse'khene*
Beaver	*Dane-Zaa (ᑕᘁ ᑲ)*
Slavey	*Dene Tha (ᑌᘁ ᒐ)*
Kaska	*Danezāgé'*
Tahltan	*Tāłtān*
Nicola	*(none recorded)*
Tsetsaut	*Wetalh*
Tagish	*Den k'e*

INTERIOR SALISH

Lillooet	*St'át'imc*
Shushwap	*Secwepemc*
Thompson	*Nłeʔkepmxcín*
Okanagan	*Nsyilxcən*

KTUNAXA

Kootenay	*Ktunaxa*

NUXALK

Bella Coola	*Nuxalk*

SALISHAN (COAST)

Sechelt	*She shashishalhem*
Squamish	*Sk̲wx̲wú7mesh sníchim*
Comox-Sliammon	*Éy7á7juuthem*
Pentlatch	*Pəntl'áč*
Halkomelem	*Hul'q'umi'num'*
	əṅq̓əṁinəṁ
	Stó:lō Halq'eméylem
Northern Straits	*T'Sou-ke*
	Lekwungen
	SENĆOŦEN
	Semiahmoo
	Malchosen

TLINGIT

Tlingit	*Lingít*
Inland Tlingit	*Łingít*

TSIMSHIANIC

Coast Tsimshian	*Sm̓algya̲x*
Southern Tsimshian (Klemtu)	*Ski:xs*
Nisga'a	*Nisg̲a'a*
Gitksan	*Gitsenimx̲*

WAKASHAN

Kwakw'ala	*Kwak'wala*
Haisla	*X̄a''islak̓ala (Kitimaat)*
	X̄enaksialak̓ala (Kitlope)
Heiltsuk	*Hailhzaqvla*
Oowekeno	*Oowekyala*
Nootka	*Nuučaan̓uł*
Nitinat	*Diitiidʔaatx̣*

X̲AAYDAA KIL

Haida	*X̲aaydaa Kil*

First Peoples' Heritage, Language and Culture Council

FPHLCC

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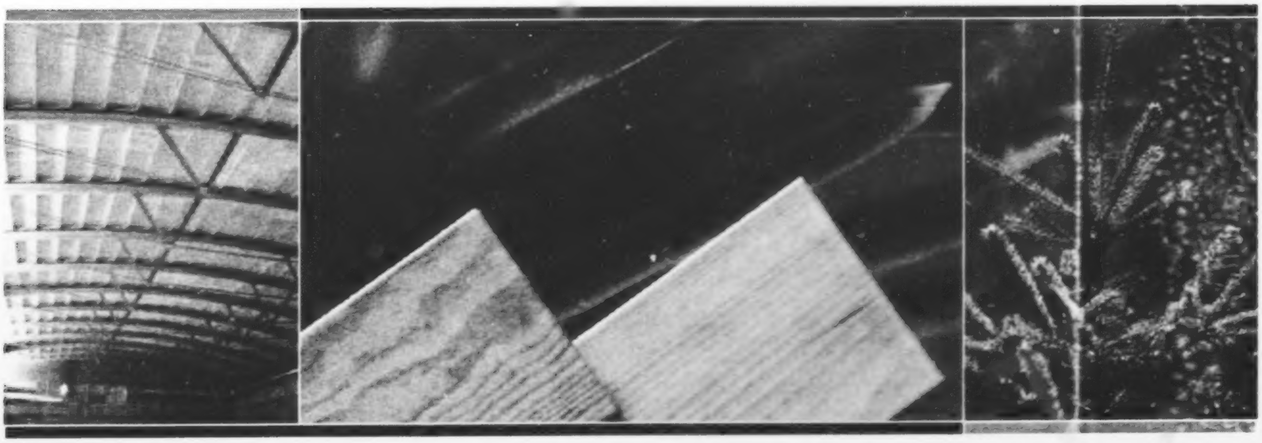
Forestry Innovation Investment Ltd.

Service Plan
2007/08 – 2009/10



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Message from the Board Chair to the Minister Responsible

January 15, 2007

The Honourable Rich Coleman
Minister of Forests and Range
Province of British Columbia

Dear Minister:

I am pleased to present you with *Forestry Innovation Investment Ltd.'s Service Plan 2007/08 - 2009/10*. This plan sets out the corporation's goals and objectives, the strategies it will use to attain them, and performance measures and targets for the next three years. Relative to 2006/07, the Plan is based on a funding level that is scheduled to be reduced by $1.67 million next year, and a further $2.25 million in the following year. These reductions reflect the fact that FII has paid out most of certain multi-year commitments, and the fact that the first tranche of dedicated mountain pine beetle program funding is scheduled to end after next year.

In pursuing its Market Development and Market Communications goals, FII anticipates continuing to allocate about half of its budget to share the cost of activities proposed and delivered by non-profit trade associations, research institutes, and universities. Much of the work done by those organizations will also be cost-shared by the Natural Resources Canada through its Canada Wood Export Program. In this context, FII will continue to encourage Canada Wood Group (a federation of trade associations) to take the lead in market development activities in several foreign locations.

Through its annual Call for Proposals process, augmented by self-initiated activities, FII continues to aim for a well-balanced portfolio of investments in several respects: geographically, across primary and secondary product lines, across species of timber, between the Interior and Coastal industries in BC, and between short-term and long-term prospects.

With harvesting in BC having dramatically increased to salvage trees killed by the mountain pine beetle epidemic, and with demand and prices in the United States having fallen so much this past year, BC firms are expressing renewed interest in diversifying markets for the long term. FII will continue to fund activities that maintain and improve markets in the United States, Japan and Europe, but its more proactive efforts will be focused on creating new markets in China and Korea, with first steps also being taken in Vietnam. All of this will fit with government's overall Asia Pacific strategy.

During the term of the new Service Plan, FII will use its remaining year of mountain pine beetle funding to pursue new product lines made from trees that have been dead for some years, for example documenting lumber recoveries and researching the feasibility of creating various forms of energy from that biomass.

FII expects to:

- assist the Coastal industry in finding new products and applications for products made from hemlock, which is the predominate species on the Coast;
- share the cost of a new program to promote adoption of structural wood products in non-residential buildings in the United States;
- continue to pursue development of low-cost housing solutions, not only for disaster-related reconstruction, but also for ordinary situations in the developing world;
- actively encourage the showcasing of wood products in 2010 Olympic Games venues, as well as in a new BC – Canada House in the heart of Beijing for its 2008 Olympic Games.

Message from the Board Chair to the Minister Responsible

Through its wholly owned subsidiary in China, FII recently introduced wood-truss technology that could displace light steel in existing multi-billion dollar apartment re-roofing programs in Shanghai, Beijing, Qingdao, and other cities. FII Shanghai has also completed construction of two large demonstration villas built to Chinese designs. The company is now targeting the introduction of wood frame technology in ubiquitous six-story apartment buildings that account for about half of the 500 million square metres of new housing in China each year. Finally, in the coming year FII Shanghai and municipal officials on Guangzhou expect to complete construction of a new BC – Guangdong Pacific Gateway Park, a large-scale public landscaping project using cedar from the Coast, and pressure treated spruce-pine-fir from the Interior. All of these demonstration projects are attracting keen interest from Chinese building and fire code officials, architects, designers, developers, and builders.

In its Market Communications program, FII will continue to ensure customers have factual, credible information about our province's forest management and the environmental attributes of building with wood. Staff will be particularly engaged in the emerging "green building" movement in the United States. On behalf of an international coalition of European, South American, Australian, and Canadian bodies, FII has agreed to hire an expert in the topic of third-party forest management certification, who will reside in Beijing and work with Chinese officials as they develop a made-in-China certification scheme. The objective will be to ensure that China does not inadvertently disfavour certification schemes underlying most timber harvesting in BC and in the jurisdictions who are financially supporting FII's initiative.

FII is a very small organization. Every position and every employee is critical to its success. Through the dedication and commitment of its employees, the company will continue to strive to be a highly effective and well-managed organization that makes a strong contribution to the success of the BC forest industry and through it, the province.

Notwithstanding best efforts by FII, its ability to control outcomes is limited. As mentioned above, approximately half of FII's budget is allocated to funding activities delivered by trade associations, research institutes, and universities. FII is always at risk of those organizations deciding to scale back or even eliminate the relevant activities. In terms of the ultimate impact on sales of BC forest products, FII and its partners have no ability to control major factors like currency exchange rates, national economic growth rates and pricing of competitive products.

The 2007/08 - 2009/10 FII Service Plan was prepared under my direction in accordance with the Budget Transparency and Accountability Act. I am accountable for the contents of the plan, including the selection of the performance measures and targets. The plan is consistent with government's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions and identified risks as of December 15, 2006, have been considered in preparing the plan. The performance targets in this plan have been determined based on an assessment of FII's operating environment, forecast conditions, risk assessment and past performance.

Doug Konkin
Chair, Board of Directors
January 15, 2007

Overview

A healthy forest economy is vital to the well being of British Columbia. In 2005, an estimated 80,000 direct jobs and 41 percent of the province's manufacturing output were based on forestry-related activity. Most of this on-going activity – and by extension the livelihood of many resource communities – is driven by exports.

In 2005 British Columbia produced over 41 million cubic metres of softwood lumber, of which 81% was sold to customers in the United States, Japan and other overseas markets. Exports of oriented strand board, medium density fibreboard, and particleboard were all in excess of 90% of production. These huge volumes were more than enough to make the province the world's largest exporter of softwood lumber, and a globally dominant supplier of other solid wood products.

Reflecting the importance of international markets to the provincial forest sector, the Government of British Columbia set up Forestry Innovation Investment Ltd. (FII) in 2003 to promote BC's environmentally progressive forest management and products internationally. Either directly or through funding the work of other organizations, FII:

- informs international markets about BC's sustainable and world-leading forest management practices
- promotes BC wood products in major markets like the United States, Japan, and Europe
- introduces BC wood products to new markets like China, Korea, Taiwan and Australia
- develops new products and uses for wood
- researches better ways of manufacturing wood products
- helps ensure the forest sector, through strong international sales, continues to be a leading contributor to the BC economy.

FII delivers on its mandate through investments in marketing and product development projects designed to give BC a competitive edge in global markets, as well as through direct-delivered programs that promote the province's sustainable forest practices internationally. FII also helps the forest sector deal with major issues through support of major initiatives like the BC Mountain Pine Beetle Action Plan.

Overview

In all of these activities, the focus is on adding value and delivering tangible benefits to the industry. In setting and reviewing its business goals, FII consults regularly with forest-sector experts who work for:

- BC forest product companies
- the forest industry trade associations that represent large and small companies around the province
- federal government departments such as Natural Resources Canada (particularly those managing the Canada Wood Export Program) and Canada's foreign consulates and embassies
- academic and research institutions engaged in forest product studies
- municipal governments in rural BC
- the Ministries of Forests and Range, and Economic Development.

To a large extent, FII acts in support of other organizations – encouraging collaboration within the industry, facilitating contact with foreign officials, working in partnership with the Government of Canada, and directing targeted programs in the areas of international marketing and forestry communication. This approach translates into low overhead – fully 95% per cent of the FII budget is expensed on projects, research and marketing programs.

Core Business Areas and Major Programs

FII IS ORGANIZED IN THREE BUSINESS AREAS:

- **Market Development**
- **The BC Market Outreach Network**
- **Corporate Support**

Market Development Business Area

The Market Development Business Area is made up of six program areas:

- **International Marketing**
- **Market Access**
- **Product Development**
- **China Market Development**
- **Mountain Pine Beetle**
- **Domestic Market Development.**

Together, these programs use project funding and partnerships with the Government of Canada, forest industry associations and research institutions, to:

- maintain and create opportunities for BC wood products in existing and emerging markets
- ensure BC forest products have access to markets free from regulatory and other barriers
- ensure designers, architects, developers, builders, and consumers, know about BC wood products and the many structural and finishing advantages they bring to residential and other construction
- support the development of innovative new forest products, including products using pine harvested from mountain pine beetle-attacked forests, and
- provide markets and audiences with information on the properties and qualities of BC's premier forest products as well as the BC companies that supply them.

Core Business Areas and Major Programs

International Marketing Program

FII's International Marketing Program supports the promotion of British Columbia's wood products and species to international customers and specifiers of wood building/finishing products. This includes activities such as:

- participating in international wood product tradeshows
- offering technical and promotional seminars and workshops
- developing promotional materials, brochures, multi-media tools, and websites
- running advertising and promotional campaigns, and
- participating in promotional demonstration projects (Street of Dreams, make-over and do-it-yourself television programs, etc.).

FII recognizes that a key to success in International Marketing (as well as in all other program areas listed below) is a strong focus on market research and market intelligence. With an increasingly competitive and evolving global forest industry, timely market research is key to identifying new and evolving market opportunities and maintaining competitive product advantage.

FII typically initiates and undertakes market research for the benefit of the entire BC forest sector. In major trade shows in the United States and Asia, FII provides innovative showcases of BC value-added wood products. Trade associations create and deliver promotional material, with the cost typically shared by FII and the associations.

Core Business Areas and Major Programs

Market Access Program

FII's Market Access Program is aimed at enabling unrestricted market access for BC manufacturers into key forest product markets around the world. Activities may include:

- support for developing and implementing building and fire codes that accommodate BC wood products
- ensuring markets recognize BC wood species and grades
- identifying and overcoming non-tariff trade barriers, such as product testing and/or product marking requirements
- staying abreast of and addressing plant health regulations and restrictions that might constrain the import of BC products.

Initiatives are typically delivered by experts from the private sector, research institutes and universities on behalf of the BC and the Canadian forest industry and are usually coordinated through Canada Wood Group, which is a federation of industry trade associations.

Product Development Program

FII recognizes that success requires ongoing innovation and product development to respond to the changing needs of international customers and to take advantage of new and evolving market opportunities for wood products.

Through the Product Development Program, FII supports industry-partnered initiatives to develop existing products or to create new forest products or manufacturing processes. These products may be geared to existing markets or to new and evolving markets. FII supports technical research to quantify product qualities and attributes, and complete product testing for market acceptance.

Product Development projects are typically led by research institutes, universities, or industry trade associations.

Core Business Areas and Major Programs

China Market Development Program

Recognizing the rising importance of China to the global economy and the significant potential for developing wood-product demand in China, FII has created a separate program focused specifically on opening the door for BC wood products into China.

Currently, about one percent of BC's solid wood exports are directed to China, 90 percent of which are consumed by China's remanufacturing industry. Despite building some 10 million new residences each year, virtually no wood frame building technology exists in the country. In close collaboration with Canada Wood Group, FII is directly responsible for doing the basic market research to determine where the best potentials exist to introduce BC wood products and North American wood frame technology to China's housing sector. FII is also leading the provision of demonstration projects to showcase BC wood products and wood construction technologies. In its first two years, FII's wholly owned subsidiary in Shanghai has built:

- an 888 square-metre (approximately 10,000 square-foot) wood-products showcase and demonstration centre
- two single-family wood frame homes, known as villas, and
- wood-truss roofs for two older low-rise apartment buildings, of the type in which nearly half of China's population live.

In the coming year, FII expects to complete:

- a landscaping demonstration project featuring cedar and pressure-treated wood in a new British Columbia – Guangdong Pacific Gateway Park in Guangzhou, and
- one or more "hybrid" low-rise apartment buildings, with lower floors built of the traditional reinforced concrete and masonry, and upper floors and roofs built to North American wood frame standards.

FII will also pursue the introduction of BC wood products into existing large-scale apartment renovation programs already initiated by numerous municipal governments. Research and experience in China have confirmed that providing technical demonstration and technical support, combined with showcasing wood and wood-construction technologies, are effective ways to achieve market-development objectives in this market.

Mountain Pine Beetle Program

FII is the lead Provincial agency responsible for promoting development of new product uses and markets for Mountain Pine Beetle wood. This mandate is part of the BC Mountain Pine Beetle Action Plan announced in April, 2005. The strategy supports forest communities, preserves forests and assists forest companies in recovering the greatest economic value from impacted timber.

Core Business Areas and Major Programs

The FII program supports market research, market development, product development, technical and manufacturing research, as well as market communications associated specifically with this issue.

Activities are delivered by forest research institutes, post-secondary institutions and industry trade associations. Given the considerable volume of wood fibre impacted, FII is taking an active role in new market and new product development initiatives by working with BC forest companies and international wood product purchasers to evaluate future opportunities.

Domestic Market Development Program

While most of FII's investments are focused on international markets and developing opportunities for BC wood products globally, FII also pursues opportunities for market growth within BC.

FII is making investments in projects to expand non-residential construction opportunities for BC wood products within the province. Strategies include providing resources to identify projects that could use wood instead of competing products, and providing technical support to overcome any technical barriers, design requirements, or engineering specifications required to expand wood use in large commercial, industrial, recreational or institutional structures.

As a part of this program, FII is supporting activities to increase the use and showcasing of wood in the Vancouver Convention Centre and 2010 Olympic venues. These venues provide high-profile opportunities to showcase BC's wood products, species, and innovative applications to test out and prove the expanded application of BC's wood products in large non-residential structures. The technical work is intended to help open the door for expansion of wood construction technologies, both in BC and in key export markets.

FII also supports projects that help improve the competitiveness of BC's secondary manufacturing sector by identifying opportunities to improve manufacturing technology and process engineering and to help transfer this technology to the sector. Projects are typically delivered by forest research institutes, post-secondary institutes and trade associations. Some direct investments in projects may be made in order to showcase wood products and address technical constraints to market growth and development.

Core Business Areas and Major Programs

BC Market Outreach Network Business Area

Over the past 15 years, environmental campaigns have called into question a range of forest practices around the world, causing some customers to review their buying patterns.

The BC Market Outreach Network (BCMON) is an in-house FII program that provides international buyers and others with credible facts to document that BC forest products come from well-managed forests.

Environmental campaigns that promote misleading or incorrect information are quickly challenged by BCMON and its partners. They monitor the development of draft legislation and procurement policies that could impair the flow of BC forest products into a particular market, making relevant officials aware of frequently unintended consequences if the legislation or policy is adopted.

The BCMON program achieves its goals by:

- working with industry associations, embassies and federal and provincial ministries to ensure a coordinated and strategic approach to market communications
- gathering market research information about customers' environmental concerns which is then used to support the development of communications strategies and methodologies
- distributing information materials, including fact sheets and an up-to-date website **www.bcforestinformation.com**, to respond to market issues and changes in forest policy
- attending major international trade shows and conferences to ensure customers and others have accurate information about BC's forest management
- monitoring marketplace developments to identify emerging procurement issues
- maintaining a leading, proactive stance in market communications and preparing relevant intervention material when needed.

Corporate Support Business Area

Corporate support includes responsibility for the financial management and control of the corporation, information systems, human resources and performance management. Corporate services focus on internal management and employees, as well as serving the board of directors, government and partners by ensuring a high level of performance, accountability and adherence to government policies.

Governance

FII was incorporated on March 31, 2003 under the Business Corporations Act.

FII operates according to a Shareholder's Letter of Expectations, by which the Minister of Forests and Range has defined FII's mandate and scope. This was the first Shareholder's Letter of Expectations for FII, signed in early November 2006. In the main it:

- replaced the contractual agreement by which the Ministry of Forests and Range had previously specified FII's mandate;
- confirms the mandate to work closely with industry and other government agencies to improve the nature of BC forest products and the market for those products;
- gives high-level direction for implementation of a Market Development Program and a Market Communications Program; and
- requires FII to adhere to provincial government procurement and financial management standards.

On a one-time basis, the Letter instructs FII to assist with a review of the composition of the Board of Directors, to be lead by the Shareholder and likely to be undertaken in early 2007. With respect to activities delivered by others and partially funded by FII, the Letter instructs FII to review its cost-sharing policies and make recommendations to the Minister.

Both of these matters will be addressed in early 2007.

FII staff are accountable to a board of directors, which at January 1, 2007 consisted of:

- Doug Konkin, Deputy Minister of Forests and Range
- Tamara Voorman, Deputy Minister of Finance
- Don Fast, Deputy Minister of Economic Development.

Governance

The Board of Directors is supported by an audit committee which reviews, recommends and in some instances, approves financial statements and other financial information. Members of the committee at January 1, 2007 were the:

- Deputy Minister of Finance
- Assistant Deputy Minister of Management Services, Ministry of Economic Development
- Assistant Deputy Minister of Corporate Services, Ministry of Forests and Range.

Board's Governance Principles

The Board of Directors has adopted the guiding principles included in the provincial government's Governance Framework that outlines the roles and responsibilities of all parties that are part of the Crown corporation governance environment.

The guiding principles relate to:

- stewardship, leadership and effective functioning of the board
- clarity of roles and responsibilities
- openness, trust and transparency
- service and corporate citizenship
- accountability and performance
- value, innovation and continuous improvement.

Board of Directors

As presently constituted, the Board is at variance with the *Best Practices Guidelines* promulgated by the Board Resourcing and Development Office. That is because Crown corporations normally are led by directors drawn from the private sector based on a formal competency matrix unique to each corporation. The *Guidelines* include numerous recommendations regarding succession plans, Board committees, formal documentation of responsibilities and performance assessments, etc. In the coming year, whether or not the membership of the Board is altered, it expects to introduce the governance elements that are missing relative to the *Guidelines*.

Strategy Committee

FII is supported by a strategy committee of seven senior executives from the Coastal and Interior forest industries representing primary and secondary manufacturing as well as the remanufacturing sector. The committee members meet regularly to provide strategic advice to FII on programming, investments and organizational objectives.

Governance

FII Subsidiary

FII's wholly owned subsidiary in China is called FII Consulting (Shanghai) Co., Ltd. (FII Shanghai.) The company is registered in China to meet the legal requirements of the People's Republic of China. FII Shanghai is able to use facilities constructed in Shanghai to provide consulting services to FII and others. The facilities serve as a common base of operations from which FII and the members of Canada Wood Group are pursuing their marketing and promotional activities in the Chinese market.

Minister Responsible

The Minister of Forests and Range is responsible for FII.

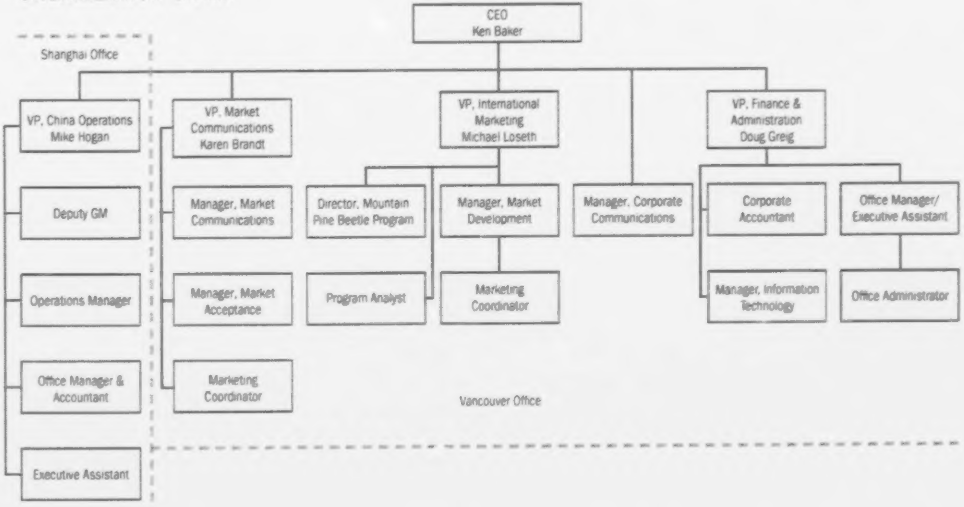
Organization Chart

FII carries out its programs and services with 21 staff in corporate offices in Vancouver and Shanghai, as shown in the following chart.

Corporate Locations

FII's corporate office is located at 1200 - 1130 West Pender Street in downtown Vancouver, British Columbia while the company's subsidiary office is located in Shanghai, China in the Dream Home Canada Demonstration Centre.

ORGANIZATION CHART


CEO
Ken Baker
Shanghai Office
VP, China Operations
Mike Hogan
Deputy GM
Operations Manager
Office Manager & Accountant
Executive Assistant
VP, Market Communications
Karen Brandt
Manager, Market Communications
Manager, Market Acceptance
Marketing Coordinator
VP, International Marketing
Michael Loseth
Director, Mountain Pine Beetle Program
Program Analyst
Manager, Market Development
Marketing Coordinator
Manager, Corporate Communications
VP, Finance & Administration
Doug Greig
Corporate Accountant
Manager, Information Technology
Office Manager/ Executive Assistant
Office Administrator
Vancouver Office

Strategic Context

Vision

Forestry Innovation Investment Ltd. is widely regarded as instrumental in positioning British Columbia as a leading global supplier of products from sustainably managed forests.

Mission

FII's mission is to be an innovative and collaborative forest marketing agency that anticipates and meets the needs of government, the British Columbia forest sector and international markets through well balanced investments that maximize the value to British Columbia.

Values

Focus on Partnerships – FII works in partnership with key stakeholders to develop initiatives and ensure programs are effectively delivered in a coordinated manner.

Integrity and Credibility – Projects and services are delivered by capable, motivated individuals who focus on ensuring FII programs are credible, useful, and based on transparent decision-making and investment processes.

Innovation – FII encourages innovative programs and responses to changing circumstances. FII staff learn from the past and continuously improve the effectiveness and efficiency of FII programs by consulting widely and optimizing the use of resources.

Resource Capacity

Barring a dramatic increase in scope, FII's overall budget is sufficient to discharge its mandate. The company is in good shape with respect to its basic infrastructure, such as office space and information technology. However, its relatively small complement of staff does pose some risk.

FII's programs are managed by a total of 14 staff in Vancouver, one in Prince George, one in Quesnel, and five in Shanghai. The company relies overwhelmingly on contractor organizations and individuals to undertake almost all the work needed to deliver outputs and effect outcomes. Every position at FII is unique; there are no redundancies and there is little ability for internal succession planning. This puts the company at risk of program disruption if staff turnover is anything other than slight.

The company mitigates this risk by doing what it can to make every job as interesting and rewarding as possible so that every employee can continuously grow through experience and through being challenged with wider scope.

Planning Context

Supporting BC's Forest Economy

In 2005, British Columiba's forest products were worth $17.7 billion, or 41 per cent of BC's manufacturing shipments. The industry directly employs an estimated 80,000 workers. Including direct, indirect, and induced jobs, an estimated one job in nine[1] in BC is connected to the forest industry.

Operating in an International Context

In 2005, forest products accounted for 41 per cent (or $14 billion) of the province's total exports. 80 percent of exported products were directed to two markets: the United States and Japan. Other markets for BC products are in Europe, Australia and New Zealand with smaller volumes to China, Taiwan and South Korea.

There are unique challenges involved in building successful business relationships in international markets, from understanding cultural differences to recognizing different business protocols and laws. Marketing in other countries often involves uncertainties in political or economic environments, differing regulatory constraints, and changing currency exchange rates.

Maintaining access to key existing markets (most notably the United States, Japan and Europe) and developing new markets (especially China and Korea) often depend upon overcoming misconceptions about forest products, wood-construction technologies, and the land management regime underlying BC's forest sector.

Barriers in emerging markets include restrictive building and fire codes, lack of knowledge about seismic performance, phyto-sanitary import constraints, and concerns regarding the durability of wood products in some climates. In some markets, developers, builders and regulators may be unfamiliar with wood products and construction techniques. FII and its forest sector partners continually assess this broader operating context to identify strategic opportunities and potential barriers to be overcome.

Dealing with Competition

For decades, the world market for forest products was largely supplied by a handful of countries, with Canada accounting for a large share of the world's export trade. Today, many countries are competing to supply key BC customers, putting pressure on prices and exerting strong competition for market share in many product categories.

At the same time, wood products face competition from substitute products such as concrete, steel and plastics. FII and its partners work closely with customers to understand and respond to their needs, investing in research and development of new and improved products to solve product or application problems.

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[1] *Based on generally assumed mulitplier of one indirect and one induced job for each direct job.*

Planning Context

Promoting BC's Sustainable Forest Management

Many customers want assurance that BC products come from sustainably managed forests. To provide that comfort, FII leads the provision of credible and timely information to document that BC's publicly owned forests are well managed and that products from these forests are an environmentally superior building choice.

As more jurisdictions embrace the green building movement and customers more closely examine the source of their forest products, BC is well positioned due to its stringent forest policies and high level of independent third-party forest certification.

FII will continue to work with industry partners so that BC can solidify and capitalize on its reputation as a leader in the sustainable management of forests and producer of high-quality and competitive forest products.

Key Strategic Issues

Mountain Pine Beetle Epidemic

BC is responding to an unprecedented Mountain Pine Beetle epidemic in much of the Interior of the province. FII has created a program specifically focused on how to make maximum use of timber killed by the epidemic, so that the industry can continue to supply high-quality products that meet customers' needs. The objectives of the program are to:

- determine processing and product performance properties of dead pine trees for key wood and pulp and paper products
- eliminate any trade barriers to export of pine products
- identify new market opportunities for existing products
- identify new product opportunities
- extend information to complement production decisions and to maintain markets for manufactured products from beetle-attacked pine.

Coastal Industry

British Columbia's Coastal forest industry has experienced a decade or more of market difficulties due to changing customer preferences, coupled with the relatively high cost of harvesting and processing old-growth timber. Marketing issues have been most pronounced in Japan, where customers for Hemlock and Balsam Fir (Hem-Fir) post-and-beam materials have shifted heavily to kiln dried whitewoods from Scandinavia. To regain market share, BC's coastal industry has developed a new line of kiln dried Hem-Fir products, which received Japanese regulatory approvals in September 2006. In furtherance of recapturing markets, the Coastal industry is embarking upon major strategy development work, mostly funded by FII.

New *"Specialty Wood Products Network"*

Hundreds of BC firms are involved in manufacturing "value-added" wood products that range from log homes, to kitchen cabinets, to doors and windows. Many of those firms have been assisted by Forintek Canada Corporation's technology transfer program, and by the international marketing expertise of BC Wood Specialties Group. FII has historically provided considerable funding to both organizations, and in the coming year it is anticipated that they will draw their operations closer together in a virtual network of excellence in manufacturing and marketing.

Asia Pacific Strategy

British Columbia has embarked on the strategic promotion of relations with numerous Asian nations, including market development strategies across a wide range of economic sectors. Led by the Ministry of Economic Development, the Asia Pacific Trade Council and a host of committees and volunteers, steps are being taken to advance British Columbia's objectives in the Asia Pacific region in concert with various federal government departments and recent "gateway" strategies. FII places a high priority on investments that are consistent with and support BC's Asia Pacific strategy.

Key Strategic Issues

Forest Certification in China

China's woodworking industry relies heavily on imported logs and lumber, frequently as the raw material for making products that are re-exported to North America and Europe. In those latter regions, many customers are highly attuned to the original source of the timber in question, often relying on independent third-party certification of the relevant forest management regime. Recognizing this factor among its customer base, as well as in the interests of promoting sound forest management generally, China's national forestry agencies are embarking upon the creation of a made-in-China forest certification scheme, a process which may involve preference for certain schemes that exist elsewhere in the world.

On behalf of an international coalition of interested parties from North and South America, Europe, and Australia, FII Shanghai is engaging a forest certification expert to lead discussions with Chinese officials, with an objective of ensuring that new Chinese procurement policies do not dis-favour the certification schemes that predominate in those regions, including those in British Columbia.

Demonstration Projects in China

FII Shanghai is a key partner in the collaborative China market development program. Its role is to initiate basic market research throughout the country, and to lead with demonstration projects to illustrate real-world application of BC wood products and North American wood frame technology. Over the past two years this has involved construction of the Dream Home Canada demonstration centre, two single-family villas, and the first-ever wood truss roofs for apartment buildings in Shanghai. The next suite of demonstration projects is expected to include municipal-level landscape projects using cedar and other pressure treated species, as well as hybrid low-rise apartment blocks built partly with traditional concrete/masonry, and partly with BC structural lumber. Each demonstration project will be closely tied to Canada Wood Group's technology transfer program aimed at making regulatory officials, architects, designers, developers and builders aware of the advantages of building with wood.

The Green Building Movement

"Green Building" refers to the emerging trend to ensure that new buildings are environmentally friendly in terms of the kinds of materials used for construction, and the impact that a given building has on the environment over time. The green building trend is most evident with relatively large non-residential buildings, but is emerging in the residential construction sector as well. FII is working with its industry partners to widely document that wood products from natural forests are among the most environmentally friendly, particularly when a project is subject to a full life-cycle analysis.

Key Strategic Issues

2010 Olympics and the Vancouver Convention Centre

The 2010 Olympics and Paralympics Games will turn the world's attention to British Columbia. On behalf of the province, FII is working to ensure that the games venues showcase a wide range of forest products in structural and finishing applications. Similarly, FII is working with Vancouver Convention Centre Expansion Ltd. to incorporate BC wood products throughout the expanded facility, ultimately leading to some 800,000 delegate-days of visibility each year.

Disaster-Related Reconstruction

Two recent major natural disasters, the tsunami that struck Southeast Asia at the end of 2004 and the earthquake that devastated northern Pakistan in October 2005, have triggered the BC forest industry's interest in providing wood products for broad reconstruction. In Indonesia, FII has been involved in testing the economics and logistics of providing a wood-frame technology solution, as well as funding wood frame instruction being delivered by the British Columbia Institute of Technology. FII continues to investigate the possibilities in Pakistan.

Risk and Capacity

The demand for BC's forest products is influenced by a host of factors, the most important of which are the strength of the Canadian currency against the U.S. dollar and the Japanese yen, and the demand for new housing in those countries. In tracking BC's success in established and emerging markets, FII readily recognizes that its control over marketplace outcomes is limited.

FII continues to devote about half of its budget to funding work undertaken by industry trade associations, research institutes and universities. Success in delivering FII's programs depends heavily on the willingness of those parties to propose worthwhile activities with a strong focus on results, and their ability to deliver approved projects in ways that achieve the intended objectives. FII will continue to rely heavily on those other parties and will closely manage the relevant investments to support the achievement of results. This is the essence of FII's partnership-based approach to business.

Goals, Objectives, Strategies and Targets

FII expects to fulfill its mission and vision by achieving the three goals outlined below. Goals 1 and 3 have been modified slightly this year to clarify what FII aims to achieve, as well as to more accurately reflect its partnership arrangements and activities.

With the refinement of its goals, FII has also updated its performance measures to provide a more concise, higher-level statement of expectations and to make activities more easily understood by non-industry readers.

FII's Goals for 2007/08 are:

GOAL 1: EXPANDED MARKET OPPORTUNITIES THAT ARE BENEFICIAL TO THE BC FOREST SECTOR

GOAL 2: INTERNATIONAL RECOGNITION OF BC AS A LEADER IN SUSTAINABLE FOREST MANAGEMENT

GOAL 3: FII POSITIONED AS A HIGHLY EFFECTIVE, INNOVATIVE AND RESPONSIVE ORGANIZATION

These Goals are somewhat changed from those in the previous Service Plan. Goal 1 now targets expanded market opportunities, rather than diversified market opportunities. This change is the result of input from FII's industry Strategy Committee, which made the point that diversification of itself is not necessarily helpful; what is really needed is expansion of the markets for BC forest products both geographically and in terms of the product mix.

The previous Goal of achieving collaborative delivery of market development activities, has been dropped because this has in fact become cemented as FII's basic way of doing business. It is captured later in this document as one of FII's on-going objectives.

The objectives and strategies outlined in the following pages have been refined from those of the previous Service Plan, but have not changed in substance.

Goals, Objectives, Strategies and Targets

GOAL 1: EXPANDED MARKET OPPORTUNITIES THAT ARE BENEFICIAL TO THE BC FOREST SECTOR

The success of BC's forest industry is largely dependent on its being well informed, diverse and responsive to customer preferences and market opportunities. The global marketplace for forest products is becoming more competitive with CIBC World Markets pointing to a world oversupply of wood. Moreover, markets are seeing an influx of lower-priced and lower- quality products as well as timber believed to be illegally harvested in some countries.

FII is working with its partners in a strategic and long-term way to ensure that BC producers:

- can respond to the challenges and changes in traditional markets
- are positioned to take advantage of market opportunities as they arise
- offer the products that customers want
- are a reliable source of the world's finest wood products

FII and its partners are working to inform marketing decisions with thorough market research and market intelligence. With such information in hand, the industry can make strategic decisions on where to target its products, where to explore new partnerships, and where the most effective business opportunities lie.

Diversifying BC's markets for forest products is important to the long-term success and prosperity of the industry. FII assesses progress in this regard by tracking the BC industry's volume and value of sales, and its market share, in the United States, Japan, the European Union, China and Korea.

Objectives:

FII's objectives include:

- a strategic, balanced portfolio of investments designed to enhance the awareness and acceptance of B.C. forest products internationally
- collaborative development and delivery of market development activities based on provincial, federal and private-sector contributions and support.

Strategies:

FII intends to:

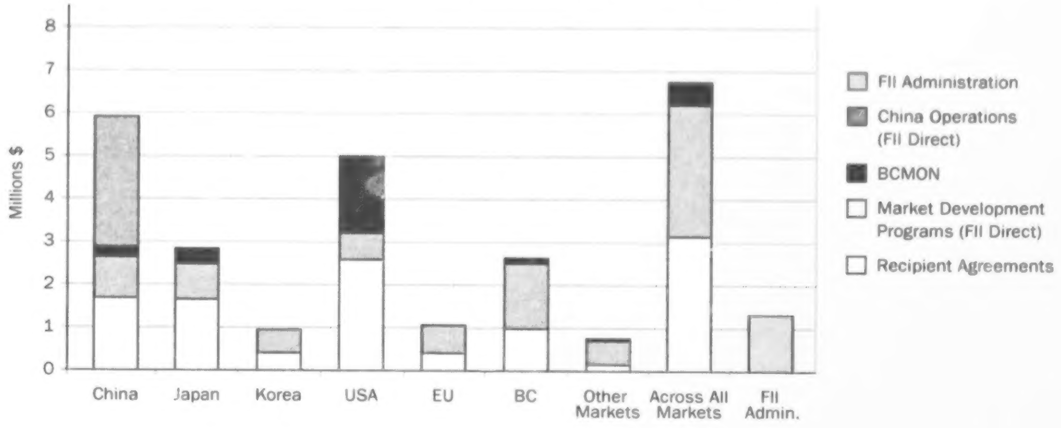
- increase demand and acceptance of Canadian wood products through promotional activities
- increase the level of, or prevent the loss of, market access for Canadian wood products by developing or refining foreign codes and standards, and dealing with phytosanitary issues and non-tariff barriers.

Goals, Objectives, Strategies and Targets

- ensure that international architects, builders, officials and other key influencers have the necessary skills and information to specify and use BC wood products
- ensure that overseas office infrastructure is in place to deliver effective programs
- increase the competitiveness of BC wood products firms by improving their awareness and use of new and existing technologies, products and processes
- conduct market research to identify opportunities, barriers, market size and strategies for Canadian wood products
- promote increased wood usage in recreational, commercial, institutional applications
- obtain higher value for BC wood products by improving existing wood products and developing new products and processes
- maximise opportunities for fibre impacted by natural disturbance agents (e.g., Mountain Pine Beetle, forest fires, etc.).

Summary of Budget by Market Region

In mid 2006/07, the geographic focus of FII's expenditures was reflected in the following graph.



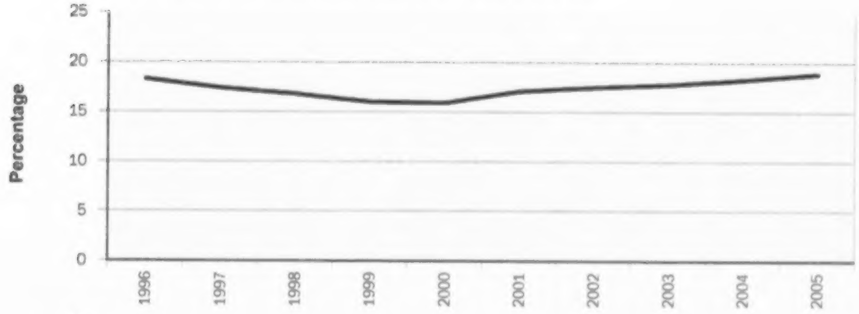
FII anticipates a similar distribution next year. The total value of expenditures portrayed above is $518,000 less than the Total Expenses listed for 2006/07 in the Financial Outlook (page 29) because not all of the budget had been allocated at mid year.

Goals, Objectives, Strategies and Targets

Indicators and Performance Measures:

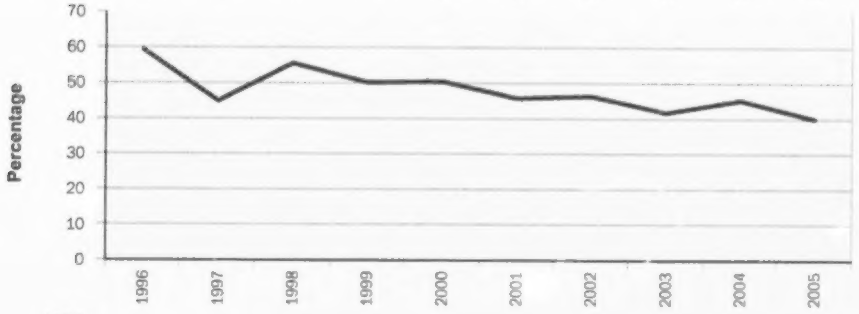
FII will track the following indicators of how well BC's forest sector is doing in foreign markets:

- United States: BC share of softwood lumber market
- Japan: BC share of softwood lumber imports
- China, Taiwan and Korea: value of BC wood exports



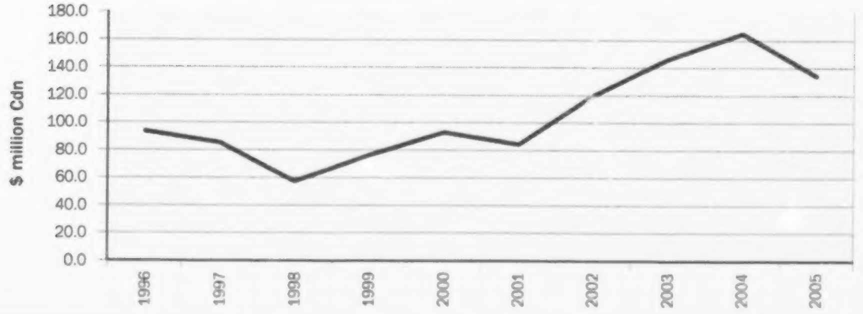
BC Share of US Softwood Lumber Market

Source: StatsCan



BC Share of Japanese Softwood Lumber Imports

Source: StatsCan



Value of Softwood Lumber Exports to China, Taiwan, S. Korea

Source: StatsCan

Goals, Objectives, Strategies and Targets

FII's performance measures for Goal 1 will be:

Performance Measure	2005/06 Benchmark	2006/07 Forecast	TARGET		
			2007/08	2008/09	2009/10
A Level of key stakeholder support for development and delivery of market development programs, as measured in bi-annual surveys (on a scale of 1 to 5)	3.8	No survey this year	4	No survey this year	4.5
B Financial contribution of key partners to projects partially funded by FII	Funding recipients: 34% Canada: 22% Total: 56%	51%	50%	50%	50%
C Number of new products developed from timber killed by the mountain pine beetle epidemic	3	4	4	To be developed when MPB funding is renewed after 2007/08	
D Number of demonstration projects completed in China	Nil	2	2	2	2

Data for Performance Measure A will be collected through bi-annual surveys of roughly 50 key stakeholders. The surveys will be conducted by an independent research firm, as was the case in 2005/06.

Data for Performance Measure B will be obtained in-house based on FII's actual expenditures at each year-end. There are two reasons why the financial contribution from partners will likely have dropped in 2006/07:

1. FII's requirement for cost sharing varies by type of activity delivered by funding recipients. For example, if they do pure market research, FII is willing to pay 100 percent of the cost. If they do retail-level promotion, FII is willing to pay 35% to 50% of the cost depending on the level of federal government participation. The mix of activities changes from year to year, and hence the aggregate cost-share percentage varies from year to year.
2. Having said that, lumber prices have fallen dramatically over the past year, many companies are losing money, and they are less willing to contribute funds to the trade associations involved in FII-funded activities. Hence there is pressure in the private sector to back away from activities where the industry absorbs a relatively high share of the cost.

Goals, Objectives, Strategies and Targets

GOAL 2: INTERNATIONAL RECOGNITION OF BC AS A LEADER IN SUSTAINABLE FOREST MANAGEMENT

Forest product customers around the world are increasingly looking for assurance from their suppliers that the products they purchase come from sustainably managed forests. As a result, BC must be well positioned as a global leader in sustaining environmental values and forest resources.

The province's commitment to sustainable forest management represents a significant advantage as customers are increasingly factoring environmental practices into purchasing decisions. FII is committed to providing a broad audience, especially forest product customers in the U.S., Japan and Europe, with accurate and factual information about forest management in British Columbia to support their purchasing decisions.

Surveying customers, influencers and decision makers is basic to understanding customers' preferences and measuring the effectiveness of FII's activities. Through its BC Market Outreach Network (BCMON) program, FII conducts customer surveys, in partnership with other organizations, to determine trends in the marketplace, customer perspectives and the effectiveness of market communications materials. The results of these surveys guide BCMON's activities. In addition, FII regularly surveys the forest sector to determine the usefulness of the BCMON activities and recommendations for action.

Objectives:

FII's objectives include ensuring that:

- customers agree that BC forest products come from well managed forests
- market communications are delivered in a collaborative, coordinated and strategic manner
- key stakeholders recognize BCMON as a leader in the delivery of market acceptance initiatives.

Strategies:

FII intends to:

- gather market intelligence through research and surveys
- produce technically accurate and credible information materials for a broad international and domestic audience
- monitor and analyze the internet and mainstream and trade media
- build and maintain support for BC as world leader in sustainable forest management
- position the BC Market Outreach Network as a credible source of factual information regarding forest management in BC

Goals, Objectives, Strategies and Targets

- provide advocacy support where BC forest products are unfairly targeted
- conduct in-market activities through trade shows, seminars and meetings with customers
- develop and lead forest tours for customers and key influencers.

Performance Measures:

FII's performance measures for Goal 2 are:

Performance Measure	2005/06 Benchmark	2006/07 Forecast	TARGET 2007/08	2008/09	2009/10
E Level of key stakeholder support for development and delivery of market communications program, as measured in bi-annual surveys (on a scale of 1 to 5)	4	No survey this year	4	No survey this year	4.5
F Percent of customers who feel that choosing products from BC (Canada) is a good choice for the environment	91% (from survey done in late 2004/05)	93% (actual)	No survey this year	90%	No survey this year

Data for the above Performance Measure E will be collected through bi-annual surveys of roughly 50 key stakeholders. Performance Measure F will be based on bi-annual surveys of approximately 140 customers. The surveys will be conducted by independent research firms, as was the case in 2005/06 and 2006/07.

Goals, Objectives, Strategies and Targets

GOAL 3: FII POSITIONED AS A HIGHLY EFFECTIVE, INNOVATIVE AND RESPONSIVE ORGANIZATION

FII is a highly focused and dynamic organization that maintains flexibility to respond to emerging forest sector needs while maintaining low overhead and operating expenses.

FII is committed to the development and implementation of sound business practices incorporating sound financial controls, a performance management framework and a monitoring, audit and evaluation program built on a comprehensive risk-assessment strategy, all developed in accordance with government policies and guidelines.

Objectives:

FII's objectives include ensuring that:

- the organization is efficient, transparent, and results focused
- expert staff are dedicated to the organization's success and committed to continuous improvement.

Strategies:

FII's strategies include:

- ensuring the integrity of funding to other organizations, provided in a timely fashion for activities that will enhance forest sector well being
- implementing a rigorous program of monitoring, auditing and evaluating projects delivered by other organizations, according to explicit risk assessments
- ensuring regular and accurate reporting on the results of investments
- keeping administration costs below 6 percent of total expenditures
- ensuring that staff are afforded ample opportunities for personal development, as well as for formally and confidentially evaluating the FII workplace.

Goals, Objectives, Strategies and Targets

Performance Measures:

Because nearly half of FII's budget is used to fund work delivered by other organizations, FII gives a very high priority to administering a rigorous competitive process of evaluating proposals and ensuring that funding is available to recipients by the beginning of each fiscal year.

FII's performance measure for Goal 3 is:

Performance Measure	2005/06 Benchmark	2006/07 Forecast	TARGET 2007/08	2008/09	2009/10
G Timeliness of annual funding cycle for trade associations, research institutes, and universities	Funding available by April 1	Funding available by April 1	Funding available by April 1	Funding available by April 1	Funding available by April 1

Financial Outlook

Forestry Innovation Investment Ltd.
Service Plan Budget 2006 - 2010

	Actual 05/06 (000's)	Projected 06/07 (000's)	Budget 07/08 (000's)	Budget 08/09 (000's)	Budget 09/10 (000's)
Revenue					
Contribution from the Province of BC	$ 21.398	$ 27.520	$ 25,850	$ 23.600	$ 23.600
Transferred from deferred Revenue	$ 652	$ 1.050	$ 1.600	$ 1.600	$ 1.100
	$ 22.050	$ 28.570	$ 27.450	$ 25.200	$ 24.700
Expenses					
Market Development Programs [1]	$ 17.564	$ 22.470	$ 21,150	$ 18.800	$ 18.800
B.C. Market Outreach Network	$ 2.496	$ 3.700	$ 3.300	$ 3.300	$ 3.300
Corporate Services	$ 1.338	$ 1.350	$ 1.400	$ 1.500	$ 1.500
Total Expenses	$ 21.398	$ 27.520	$ 25.850	$ 23.600	$ 23.600
Operating Income	$ 652	$ 1.050	$ 1.600	$ 1.600	$ 1.100
Amortization	$ 652	$ 1.050	$ 1.600	$ 1.600	$ 1.100
Net Income	$ -	$ -	$ -	$ -	$ -
Retained Earnings	$ -	$ -	$ -	$ -	$ -
Capital Expenditures	$ 919	$ 400	$ 100	$ 50	$ 25
FTE's					
Vancouver BC	13	13	16	15	15
Shanghai China	5	5	5	5	5
[1] Includes Mountain Pine Beetle Program (000's)	$ 1.440	$ 2.250	$ 2.250	$ -	$ -
[1] Includes FII Shanghai (China Program)	$ 1.550	$ 3.032	$ 3.000	$ 3.000	$ 3.000

Note: Funding flows to FII from the Forest Investment sub-vote of the Ministry of Forests and Range. Decisions by the Ministry will determine the actual allocation to FII.

Financial Notes

Risks and Assumptions

The continuity of FII's investments, programming and activities depends upon:

1. The provincial legislature continuing to vote funds to the Forest Investment (FI) sub-vote of the Ministry of Forests and Range; and
2. The Ministry of Forests and Range allocating a given portion of the FI sub-vote to FII.

FII's Mountain Pine Beetle Program is predicated on continuing funding from the Ministry of Forests and Range, based upon its three-year business plan for allocating the $100 million received from the Government of Canada in 2005 to mitigate the impact of the epidemic. The Ministry's business plan charges FII with leading research and development related to the best use of pine trees killed by the epidemic.

FII assumes that industry trade associations, research institutes and universities will continue to propose eligible and acceptable projects for FII funding to deliver approximately half of FII's programming.

FII Shanghai has been set up in the People's Republic of China (PRC) as a Wholly Foreign Owned Enterprise (WFOE) 100% owned by Forestry Innovation Investment Ltd. located in Vancouver, Canada. Funding of the WFOE is by consulting fee invoice between the WFOE and the parent company in Canada. In order to meet PRC law any monthly expenditures made by the WFOE must be offset by enough income to cover the expenditures and applicable Chinese sales taxes, and provide for a profit. The profit margin for the subsidiary has been nominally set by the parent company at 2%. The annual profit is then subject to PRC corporate tax at the WFOE's year end.

Capital Initiatives

The capital expenditures projected for the next three years relate to furnishings for the demonstration villas in Shanghai in 2007/08, and for normal office furniture and computer replacement in all three years.

Non-Disclosure of Information

Consideration of the *Freedom of Information and Protection of Privacy Act* has not caused FII to withhold any information in this Service Plan.

Alignment with Government's Strategic Plan

FII's mandate, service plan and on-going activities directly support the Province's Five Great Goals and several key initiatives in the areas of forestry, international trade, and economic development.

Five Great Goals: FII supports Goal 5 - To create more jobs per capita than anywhere else in Canada - by promoting international sales of BC forestry products. Since about 80 per cent of BC's forest product sales are exported to customers in the United States, Japan, Europe and other foreign markets, job creation in the forest sector depends on maintaining and building demand for our products globally. And because every forest sector job creates two more jobs through indirect and induced employment, the jobs protected and created through international sales have a ripple effect throughout the province.

Mountain Pine Beetle Action Plan (Ministry of Forests and Range): FII plays a key role in the BC Mountain Pine Beetle Action Plan and the Government's strategy to mitigate the impact of the pine beetle infestation on resource communities, the Interior forest economy, and the environment. Within the strategy FII is the agency leading efforts to develop new products and international markets for blue stain lumber. Through $5.85 million in projects over three years, FII is supporting technical and product research to maximize opportunities for MPB-impacted fibre in both new and existing product lines, and supporting market development and market communications activities to maximize international opportunities for MPB-impacted products.

Asia Pacific Initiative (Ministry of Economic Development): As Canada's Pacific Gateway, British Columbia is building the capacity of provincial infrastructure and the provincial economy to fully engage with Asia Pacific. FII supports this initiative by directing a large portion of the organization's budget towards international marketing activities in Japan, China, South Korea, Taiwan, Australasia, and the developing economies of Southeast Asia.

Through the Dream Home Canada centre in Shanghai, FII is showcasing advanced wood-building techniques. The site is the cornerstone of a strategy to introduce consumers and the home building industry to wood frame construction. FII is also targeting niche markets, including the extensive renovation market in major cities like Beijing and Shanghai.

Research and Innovation (Ministry of Advanced Education): British Columbia is developing an integrated and dynamic approach to research and innovation to support economic and social development. FII supports these efforts by funding primary and applied research into new wood products, manufacturing processes, productivity enhancements, and adapting product lines to new or emerging markets.

Contact Information:

For more information on Forestry Innovation Investment Ltd. and its programs, please contact us at:

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V6E 4A4 Canada

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Web site **http://www.bcfii.ca**

BRITISH
COLUMBIA
The Best Place on Earth

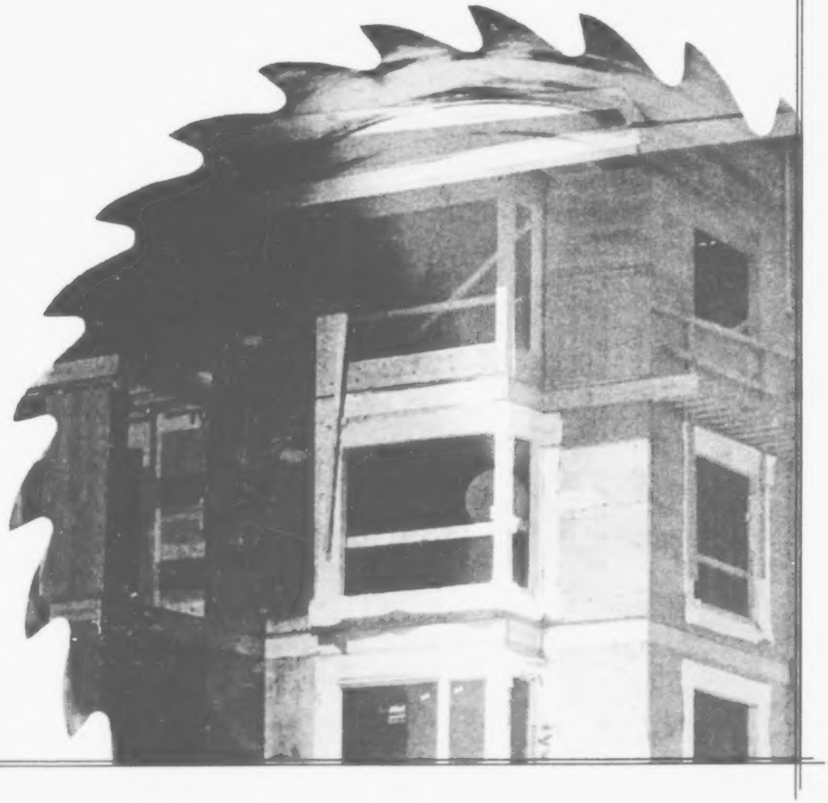
18

Homeowner
Protection Office

HOMEOWNER PROTECTION OFFICE

SERVICE PLAN

2007-2010



Service Plan 2007-2010 | Homeowner Protection Office

2007-2010

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Honourable Rich Coleman
Ministry of Forests and Range
Minister Responsible for Housing
Province of British Columbia

Dear Minister,

It is a pleasure to provide you with the 2007-2010 Service Plan for the Homeowner Protection Office (HPO).

Over the past year, more than 4,500 builders were licensed with the HPO and new home construction remained high. Our research and education initiatives brought new technical bulletins on home construction, more consumer information on the proper maintenance of multi-unit homes, and educational seminars covering topics such as the Province's new BC Building Code. All eligible owners of leaky homes continued to be approved for needed financial assistance.

The most significant activity over the past year has been the collaborative efforts of the industry, the HPO and your ministry to further increase consumer protection and raise the bar of professionalism in the residential construction sector.

Current market and industry issues drive the opportunities and challenges we face in the upcoming planning period. We anticipate a strong, but softening housing market, increased demand for funds under the reconstruction loans program for housing co-operatives and a continued skilled labour shortage. The HPO is poised to maximize the opportunities ahead.

We are enthusiastic about the future outlook for our industry and the HPO as we work towards furthering the effectiveness of the Homeowner Protection Office and pursuing our vision of a robust and respected residential construction industry in which consumers have confidence and industry partners have the ability to thrive.

Ken MacLeod, Chairperson

The 2007/08 – 2009/2010 Homeowner Protection Office Service Plan was prepared under the Board's direction in accordance with the Budget Transparency and Accountability Act. The Board is accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and Strategic Plan.

All significant assumptions, policy decisions and identified risks, as of December 2006 have been considered in preparing the plan. The performance targets in this plan have been determined based on an assessment of the Homeowner Protection Office's operating environment, forecast conditions, risk assessment and past performance.

Sincerely,

Ken MacLeod
Chairperson

Corporate Overview

The Homeowner Protection Office (HPO) is a provincial Crown corporation formed in 1998 in response to the need to introduce consumer protection legislation and regulatory improvements within British Columbia's residential construction sector.

The HPO was established under the *Homeowner Protection Act (Act)*. The main purposes of the *Act* are to:

- strengthen consumer protection for buyers of new homes
- help bring about improvements in the quality of residential construction
- support research and education respecting residential construction, and
- provide financial assistance to eligible owners of leaky homes.

The HPO, with a staff of 35, is responsible for:

- licensing residential builders and building envelope renovators province-wide
- monitoring and facilitating the performance of the third-party home warranty insurance system
- carrying out research and education designed to benefit the residential construction sector and consumers, and
- administering financial assistance programs for owners of leaky homes through the Reconstruction Loan Program and the PST Relief Grant.

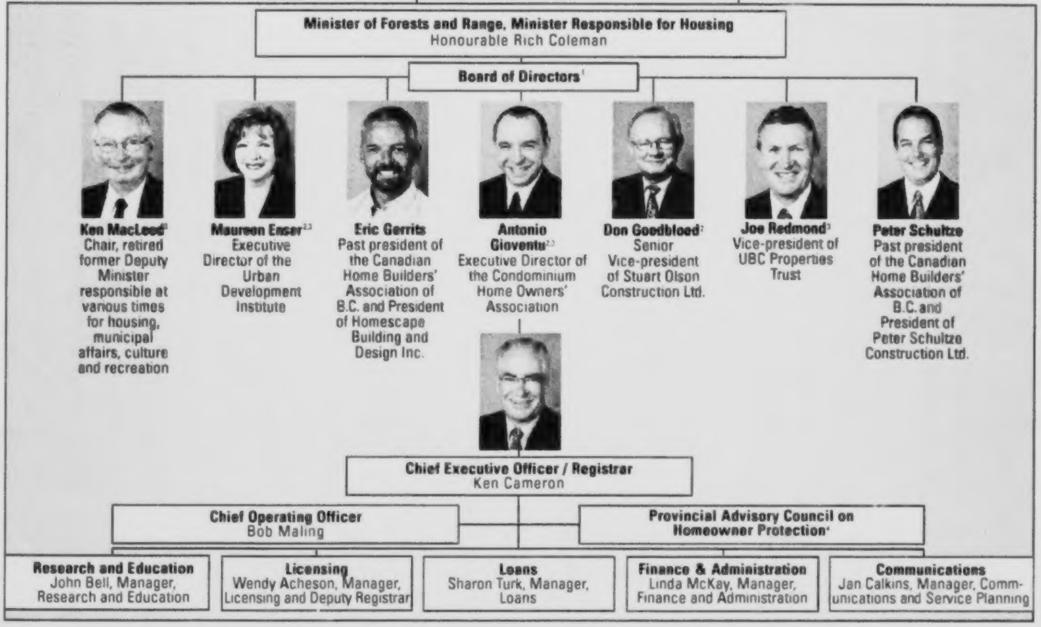
The HPO is based in Vancouver and delivers its programs throughout British Columbia. Its principal focus is the residential construction industry in which it performs its licensing, research and education functions. Home warranty insurance is required by the *Act* and provided by the private sector. Other interested parties with which the HPO interacts include: consumer organizations, warranty providers, insurance brokers acting as managing general agents for warranty providers, financial institutions, other regulatory agencies, educational organizations, building officials, and all three levels of government.

Corporate Governance

The Homeowner Protection Office (HPO) reports to the Minister of Forests and Range

and the Minister Responsible for Housing and is governed by a seven-member board of directors. The Board is appointed by the Lieutenant Governor in Council. The mandate of the HPO Board is to develop, adopt and pursue long-term strategic directions consistent with the objectives of the shareholder (the Province) and to oversee the management of the HPO.

The HPO complies with the Board Resourcing and Development Office's *Best Practice Guidelines: BC Governance and Disclosure for Governing Boards of Public Sector Organizations.* The HPO's *Board of Directors' Governance Manual* can be found on the "HPO Overview" page of its website at www.hpo.bc.ca. The HPO Board has also adopted the guiding principles included in the provincial government's Governance Framework which sets out the roles and responsibilities for all parties that are part of the Crown corporation governance environment.


Minister of Forests and Range, Minister Responsible for Housing
Honourable Rich Coleman
Board of Directors[1]
Ken MacLeod[3] Chair, retired former Deputy Minister responsible at various times for housing, municipal affairs, culture and recreation
Maureen Enser[2,3] Executive Director of the Urban Development Institute
Eric Gerrits Past president of the Canadian Home Builders' Association of B.C. and President of Homescape Building and Design Inc.
Antonio Gioventu[2,3] Executive Director of the Condominium Home Owners' Association
Don Goodbleod[2] Senior Vice-president of Stuart Olson Construction Ltd.
Joe Redmond[3] Vice-president of UBC Properties Trust
Peter Schultze Past president of the Canadian Home Builders' Association of B.C. and President of Peter Schultze Construction Ltd.
Chief Executive Officer / Registrar
Ken Cameron
Chief Operating Officer
Bob Maling
Provincial Advisory Council on Homeowner Protection[4]
Research and Education
John Bell, Manager, Research and Education
Licensing
Wendy Acheson, Manager, Licensing and Deputy Registrar
Loans
Sharon Turk, Manager, Loans
Finance & Administration
Linda McKay, Manager, Finance and Administration
Communications
Jan Calkins, Manager, Communications and Service Planning

[1] The Board is appointed by the Lieutenant Governor in Council and is responsible for the governance of the HPO.

[2] Member of the Audit and Finance Committee which assists the Board in fulfilling its fiduciary and oversight responsibilities relating to financial reporting and the audit process.

[3] Member of the Governance Committee which conducts the CEO's performance evaluation and recommends the implementation strategy for the Best Practice Guidelines for governance.

[4] The Provincial Advisory Council on Homeowner Protection provides policy advice to the HPO CEO regarding residential construction in B.C., research and education initiatives, and consumer information programs. The council includes representatives from the following organizations:

Architectural Institute of B.C.
B.C. Construction Association
Union of British Columbia Municipalities
Canadian Home Builders' Association of B.C.
Association of Professional Engineers and Geoscientists
Condominium Home Owners' Association
Co-operative Housing Federation of B.C.
City of Vancouver
Home warranty insurance provider
Urban Development Institute
Building Officials Association of B.C.
Independent Contractors and Businesses Association of B.C.
B.C. Federation of Labour – 2 representatives

Strategic Context

Our Vision

A professional organization that directly acts to enable a robust and respected residential construction industry in which consumers have confidence and industry partners have the ability to thrive.

Our Mission

To protect buyers of new homes from undue risk and assist the residential construction industry to mitigate that risk.

Our Values

We are guided by our commitment to:

- fairness
- competence
- common ground, and
- usefulness.

Abuse of the Owner-builder Exemption

The *Homeowner Protection Act* exempts individuals who qualify as owner-builders from the licensing and home warranty insurance requirements. Although the *Act* stipulates that only individuals intending to build a detached dwelling for their own personal use are eligible for the exemption, once in any 18-month period, significant numbers of land owners and unlicensed builders are abusing the system in order to avoid the licensing and warranty insurance requirements put in place to protect consumers.

A significant portion of owner-built homes are actually being constructed by black-market builders posing as genuine owner-builders and their homes quickly end up on the real estate market without the protection of home warranty insurance.

Abuse of the owner-builder exemption results in:

- inadequate consumer protection (false owner-builder exemptions mean that new homes are not built by licensed builders and are not covered by home warranty insurance). The ten-year statutory protection on owner-built homes makes an owner-builder personally liable for construction defects in the home for a period of 10 years, but provides no guarantee of a buyer's ability to recover damages.
- unfair competition for Licensed Residential Builders who comply with the *Act* and other forms of legislation and must compete with black-market builders who also often do not contribute their share of taxation including GST, capital gains and income tax.
- smaller underwriting pools for home warranty insurance providers which can result in higher premiums for coverage which is passed on to consumers.
- less financial resources available for the administration of the consumer protection regulations and the delivery of general programs such as research and education because licensing fees are not collected, and
- too much HPO resources expended on compliance efforts with false owner-builders.

The level of activity in new residential construction has placed considerable increased pressure on the HPO's current compliance staff to monitor and investigate potential abuse of the owner-builder exemption and other potential offences.

A Strong, but Softening, Housing Market

The HPO derives its funding revenues primarily from licensing fees. This service plan anticipates a strong, but softening housing market over the planning period. New home construction is anticipated to be within a range of 28,000 to 29,600 homes per year during the forecast period. This forecast represents consistently strong new home construction activity, but also represents a decline in new home construction starts from the 37,107 in 2005/06. The forecast is consistent with those of a number of industry experts, who foresee continued strong housing growth, but at a somewhat lower level than the most recent year.

This relative decline in new home construction, which attracts funding for the HPO, results in a reduction in the availability of funds and a corresponding reduction in the delivery of general programs, such as research and education for the industry and consumers, and a reduction in available resources for compliance activities.

The HPO collects a Reconstruction Fee of $750 from licensed builders for every new multi-unit home built for sale in the coastal climate zone. This revenue, which is earmarked solely for the Reconstruction Loan Program, will also be affected by the relative decline in the number of new homes constructed. Expenditures in the form of interest payments on no-interest loans, and in some cases the necessary provision of the principal on the loans, will continue to be required. An escalation in construction costs will put upward pressure on expenditures in the Reconstruction Loan Program, increasing the need for the HPO to rely on its bridge financing with the Province until Reconstruction Fee revenues cover the HPO's obligations under the Reconstruction Loan Program.

Increasing Demand for Funds Under the Reconstruction Loans Program for Housing Co-operatives

Under the Reconstruction Loan Program for housing co-operatives, the HPO approves no-interest repair loans for the full repair cost in eligible housing co-operatives suffering from premature building envelope failure. Canada Mortgage and Housing Corporation (CMHC) advances the funds on the housing co-operative loan to undertake repairs. The HPO is committed to provide financial assistance for a period of up to 10 years in each repair project. The financial assistance comprises the payment of interest on the loan. This assistance is financed through the $750 Reconstruction Fee charged to licensed builders on the construction of every new multi-unit home built for sale in the coastal climate zone.

The HPO has approved $205 million in housing co-operative repairs, but only $38 million as of November 30, 2006 has been released by CMHC to undertake the repairs. It is anticipated that CMHC will release the remaining funds in the amount of $12 million in each of the last three years of the service plan forecast to initiate or complete repairs on the housing co-operatives already approved by the HPO for Reconstruction Loans. Delays in initiating repairs result in higher repair costs which increases the total value of the housing co-operative repair loans and increases the HPO's subsidized interest costs.

The forecast for interest subsidies paid to CMHC rises significantly during the service plan period from $1.7 million in 2006/07 to $4.3 million in 2009/10 (see Table 1 in the Financial Outlook section on page 22).

The HPO is required to approve all eligible housing co-operatives for reconstruction loans which includes accepting increased repair costs resulting from delays in repairs. For example, in the first eleven months of 2006, delays in the repairs to 10 housing co-operatives approved under the program resulted in increases in repair cost estimates from $20.5 million to $35.1 million – an increase of 58%.

The increased demand for repair funds under the Reconstruction Loan Program for housing co-operatives occurs at a time when projected housing starts, and the collection of the Reconstruction Fee, are anticipated to decline from the level seen in 2005/06.

Skilled Labour Shortage

High housing starts as well as the number of non-residential major capital projects planned and underway in the province have created increased demand for skilled labour.

The supply of skilled labour is inadequate to meet the demand due to an aging workforce, the slow growth of a young replacement workforce, competition for skilled labour also needed to meet the needs of the industrial, commercial and institutional sectors and other factors. Impacts of the skilled labour shortage can include:

- delays in construction and an inability to meet demand in a timely manner
- increased housing prices as trades in short supply command higher prices for services which leads to fewer homeowners able to purchase new homes
- compromised quality of construction that may also affect the bottom line of participating home warranty insurance providers
- rising repair costs increasing the demands in financial assistance, and
- lower HPO revenues result ing from this impediment on residential construction.

Goals, Objectives, Strategies, Performance Measures and Targets

Key Goals

The 2007-2010 Service Plan sets out a strategic direction for the Homeowner Protection Office (HPO) that is focused on five key goals:

- professionalization of the residential construction sector
- informed and protected consumers
- continued viability of the home warranty insurance system
- becoming a strategic centre for building industry research, and
- an aligned, focused and capable organization.

Originating from the Futures Report approved by the Board of Directors in 2004, these goals are consistent with and support the mandate of the HPO as described under the *Homeowner Protection Act*. This strategic direction will enable the HPO to generate greater value through building and maintaining consumer confidence and supporting a thriving residential construction sector in British Columbia. A summary of the linkages between goals and results is shown on page 10.

Alignment with the Provincial Government's Strategic Plan

The goals contained in this service plan support the B.C. government's "Five Great Goals for a Golden Decade". One of the Province's goals is to "create more jobs per capita than anywhere else in Canada." The residential construction sector is a major economic driver in the province, contributing to the province's gross domestic product at a level that is comparable to other major industries such as forestry and the utilities.

Strong consumer confidence in the residential construction sector contributes to greater demand for new homes, and thus creates new, high paying jobs and business opportunities for British Columbians. Consumer confidence and a healthy residential construction sector also support other sectors of the provincial economy such as the forest industry by stimulating demand for wood products.

A Housing Strategy for British Columbia

On October 3, 2006, the Minister Responsible for Housing released "Housing Matters BC – Housing Strategy for British Columbia". This strategy addresses the full housing continuum, from emergency shelter through to homeownership. The key goals outlined in the HPO's service plan fully support the strategic directions contained in the provincial housing strategy, specifically to ensure that B.C.'s housing and building regulatory system is safe, stable and efficient, and to promote greater protection for consumers.

Key Changes from the Previous Service Plan

The service plan is revisited annually and revised where needed to take into account any changes to the planning context and strategic directions. The changes contained in this year's plan include the addition of targets for 2010 as well as the establishment of targets for the performance measure on the timeliness for Reconstruction Loan Program application decisions. Changes have not been made to the goals, objectives, strategies and performance measures in this service plan following substantial changes that were made in last year's service plan.

Summary of HPO Mission, Goals, Objectives and Performance Measures

	1	2	3	4	5
Mission Statement	**Protect buyers of new homes from undue risk and assist the residential construction industry to mitigate that risk.**				
Goals	**Professionalization of the residential construction sector**	**Informed and protected consumers**	**Continued viability of the home warranty insurance system**	**Become a strategic centre for building industry research**	**An aligned, focused and capable organization**
Objectives	"Raise the bar" for Licensed Residential Builders Address black-market building Seek authority for administrative penalties and compliance orders Better perform gate-keeping duties More information on pubic registry	Increase communications and education initiatives Established standard of information for consumers Owners of leaky homes do not have to lose their homes	Ensure the availability, affordability and effectiveness of home warranty insurance Ensure home warranty is in place where coverage is required	Conduct and disseminate results on research related to continuous improvement in the quality of residential construction Facilitate the use of research in the development and applications of best practices	Ensure HPO remains lean, agile, rigorous and resourced
Performance Measures	Builder satisfaction with the licensing system Builders' rating of the effectiveness of the HPO's compliance efforts to monitor and enforce licensing and home warranty insurance requirements and the owner-builder exemption	Homebuyer awareness of consumer protections under the *Homeowner Protection Act* Homeowner satisfaction with home warranty insurance Homeowner satisfaction with the quality of home construction Homeowner satisfaction with the building process Recovery of home values following building envelope renovations Reconstruction loan default rate	Percentage of homes enrolled in warranty insurance with claims within industry norms Builder rating of their overall relationship with their warranty provider Homeowner satisfaction with the home warranty insurance on their home	Research results and best practices disseminated through symposiums, seminars or workshops Research results incorporated into building standards and best practices Resources leveraged by the HPO through other funding partners	Timeliness of licensing decisions on completed licence applications Timeliness of decisions on completed homeowner applications for the Reconstruction Loan Program

Goal 1 – Professionalization of the Residential Construction Sector

Objectives

Continue to work with industry and government to raise the bar of professionalism in residential construction.

Continue to address the problem of black-market building activity while enabling individuals to build a detached home for their own personal use.

Strengthen the HPO's ability to obtain compliance with the *Homeowner Protection Act* and regulations.

Investigate more effective means to perform industry gate-keeping duties.

Enhance the public registry to allow consumers to make a more-informed choice of their Licensed Residential Builder, and to identify all new homes and their status under the *Act*.

Strategies

- Work collaboratively with industry and consumer stakeholders on implementation measures to "raise the bar" in a way which achieves the desired result of increasing professionalism without disruption of the vast majority of existing professionals who are performing well above any minimum standard.
- Continue cooperation and information sharing with other organizations when appropriate to address the black-market builder situation.
- Continue to support and strengthen education and training programs offered by industry associations and training organizations.

GOAL 1 – PERFORMANCE MEASURES	ACTUAL/BASELINE	FORECAST 2006/07	TARGETS 2007/08	2008/09	2009/10
Builder satisfaction with the licensing system	87% were very or somewhat satisfied in 2005/06	Not forecasted: surveyed once every two years	90%	Not surveyed	90%
Builders' rating of the effectiveness of HPO's compliance efforts to monitor and enforce licensing and home warranty insurance requirements and the owner-builder exemption	70% felt that HPO's compliance efforts were very or somewhat effective in 2005/06	Not forecasted: surveyed once every two years	75%	Not surveyed	77%

Informed and Protected Consumers

Objectives

Increase communications and education initiatives to inform and protect consumers, particularly in the following areas:

- consumers' understanding of the home warranty insurance product, the home warranty insurance system, and the role and obligations of all participants in this area
- proper maintenance of new homes
- an informed home-buying process, and
- an understanding of homeowner obligations with respect to the protections under the *Homeowner Protection Act*.

Ensure an established standard of information is accessible to 100% of homebuyers and homeowners.

Ensure that homeowners who might have otherwise lost their homes as a result of the cost of building envelope repairs have the option to keep their homes.

Strategies

- Develop and distribute new information products and related education initiatives for consumers, specifically:
  - consumer guides on buying a home, and on B.C.'s home warranty insurance system, and
  - maintenance bulletins for owners of new homes.
- Implement a plan to increase homeowner satisfaction levels in the areas of warranty insurance, quality of home construction and the building process.
- Continue to provide no-interest repair loans and PST Relief Grants to eligible owners of leaky homes.

GOAL 2 • PERFORMANCE MEASURES	ACTUAL/BASELINE	FORECAST 2006/07	TARGETS		
			2007/08	2008/09	2009/10
Homebuyer awareness of consumer protections under the *Homeowner Protection Act*	69% awareness of licensing in 2004/05 52% awareness of home warranty insurance in 2004/05	Forecast to make progress towards meeting targets of: 80% awareness of licensing 60% awareness of home warranty insurance	Not surveyed	90% awareness of licensing 70% awareness of warranty insurance	Not surveyed
Homeowner satisfaction with home warranty insurance	80% satisfaction among owners of new homes in 2004/05	Forecast to make progress towards meeting target of 85% satisfaction	Not surveyed	90% satisfaction	Not surveyed
Homeowner satisfaction with the quality of home construction	91% satisfaction in 2004/05	Forecast to make progress towards meeting target of 95% satisfaction	Not surveyed	95% satisfaction	Not surveyed
Homeowner satisfaction with the building process	83% satisfaction in 2004/05	Forecast to make progress towards meeting target of 88% satisfaction	Not surveyed	90% satisfaction	Not surveyed
Recovery of home values following building envelope renovations	97% of repaired homes have recovered the value of the cost of repairs in the assessed values of their homes in 2004/05	Forecast to make progress towards meeting target of 95% or greater	95% or more	95% or more	95% or more
Reconstruction Loan default rate	1.7% in 2005/06	Forecast to make progress towards meeting target of 1.5% or less	1.5% or less	1.5% or less	1.5% or less

Goal 3 – Continued Viability of the Home Warranty Insurance System

Objectives

Ensure the availability, affordability and effectiveness of home warranty insurance for consumers and the industry.

Ensure home warranty insurance is in place for all new homes where coverage is mandated under the *Homeowner Protection Act*.

Strategies

- Preserve the uninterrupted availability of home warranty insurance in British Columbia by consulting and collaborating with warranty providers and others in the industry to ensure that home warranty insurance continues to be an attractive and viable business line for the industry and continues to be made available at an appropriate cost.
- Work with home warranty insurance providers to ensure that claims made under home warranty insurance are evaluated in a fair manner, with reasonable dispatch and in accordance with objective standards.
- Work with home warranty insurance providers and brokers, the Insurance Council of B.C. and the Financial Institutions Commission to ensure the continued integrity of the home warranty insurance system.
- In collaboration with the Insurance Council of B.C. and the Financial Institutions Commission, monitor the performance of the home warranty insurance system and, if necessary, support the provision of additional authority to regulate areas related to improving performance.

GOAL 3 • PERFORMANCE MEASURES	ACTUAL/BASELINE	FORECAST 2006/07	TARGETS		
			2007/08	2008/09	2009/10
Percentage of homes built under the *Homeowner Protection Act* with warranty insurance claims is within industry norms	4% in 2004/05	Forecast to meet target of 3% or less homes with claims	3% or less homes with claims	3% or less homes with claims	3% or less homes with claims
Builder rating of their overall relationship with their warranty provider	84% rated as good or excellent in 2005/06	Not forecasted: surveyed once every 2 years	92% rated as good or excellent	Not surveyed	92% rated as good or excellent
Homeowner satisfaction with home warranty insurance	80% satisfaction in 2004/05	Forecast to make progress toward meeting target of 85% satisfaction	Not surveyed	90% satisfaction	Not surveyed

Goal 4 – Become a Strategic Centre for Building Industry Research

Objectives

Support and disseminate research relative to the continuous improvement in the quality of residential construction in B.C.

Facilitate the use of this research in the development and application of best practices and in the development of standards.

Strategies

- Facilitate access by the industry and consumers, in real, electronic or virtual form, to all available research and knowledge relevant to the quality and durability of new homes and building envelope-renovated homes in B.C.
- Assemble, maintain and continually develop a current knowledge of the state of consumer confidence in the housing industry.
- Work with industry and consumer groups to identify gaps in the available knowledge and to facilitate research to fill gaps that are important to the HPO's key focus.

GOAL 4 • PERFORMANCE MEASURES	ACTUAL/BASELINE	FORECAST 2006/07	TARGETS		
			2007/08	2008/09	2009/10
Research results disseminated through symposiums, seminars or workshops	Previously reported in 2 year blocks of time	One research symposium held in spring 06, delivery of over 30 Building Smart education seminars and release of 3 research studies. Target met.	One major symposium or publication and over 20 educational sessions delivered	One major symposium or publication and over 20 educational sessions delivered	One major symposium or publication and over 20 educational sessions delivered
Research results incorporated into building standards and best practices	Involvement in federal and provincial processes to update provide advice and education on the 2006 BC Building Code. Worked with industry to develop best practices and training courses	Continued involvement in national and provincial building code processes, and to work with industry to develop best practices and training courses	Continued involvement in national and provincial building code processes, and to work with industry to develop best practices and training courses	Continued involvement in national and provincial building code processes, and to work with industry to develop best practices and training courses	Continued involvement in national and provincial building code processes, and to work with industry to develop best practices and training courses
Resources leveraged by the HPO through other funding partners	Contribution by partners represented 49% of total project funding in 2005/06	Contribution by partners to represent more than 60%	At least twice the amount invested by the HPO leveraged through partnerships	At least twice the amount invested by the HPO leveraged through partnerships	At least twice the amount invested by the HPO leveraged through partnerships

Goal 5 –
An Aligned, Focused and Capable Organization

Objectives

Ensure that the Homeowner Protection Office (HPO) remains lean, agile, rigorous and resourced.

Strategies

- Implement an improved employee performance evaluation and planning system.
- Implement improvements to the information technology infrastructure that directly support the mandate of the HPO, improve efficiency and enhance customer service.
- Identify and pursue business strategies that reflect the principles of economic, social and environmental sustainability.

GOAL 5 • PERFORMANCE MEASURES	ACTUAL/BASELINE	FORECAST 2006/07	TARGETS 2007/08	2008/09	2009/10
Timeliness of licensing decisions on completed license applications	2.7 business days in 2005/06	Forecast to meet target of under 3 business days	3 business days or less	3 business days or less	3 business days or less
Timeliness of decisions on completed homeowner applications for the Reconstruction Loan Program	Baseline established at 8.2 business days in 2005/06	Under 10 business days	10 business days or less	9 business days or less	8 business days or less

Performance Management Systems

Survey of Licensed Residential Builders

The biennial survey of Licensed Residential Builders is the data source for several key performance measures. Carried out by an independent market research firm, the builder survey is a self-administered questionnaire sent to all Licensed Residential Builders in B.C. The response of 1,094 builders in the 2005/2006 survey provides a confidence level of 95% with a maximum margin of error of +/- 3.0%. The next survey will be carried out in 2007/2008. The response of 968 builders in the 2003/2004 survey provides a confidence level of 95% with the maximum margin of error of +/- 3.2%.

Consumer Survey

The biennial consumer survey is the data source for several key performance measures. Carried out by an independent market research firm, the survey includes two separate groups of consumers, specifically:

1) homeowners with warranty insurance under the *Homeowner Protection Act* on their homes, and
2) prospective new home buyers.

For the 2004/2005 consumer survey a total of 601 telephone interviews were conducted with owners of homes covered by warranty insurance. At the 95% confidence level, the maximum margin of error on the total homeowner sample is +/- 4.0%. In addition, a total of 300 telephone interviews were conducted with B.C. residents who were considering buying newer homes (i.e. purchase a home with warranty insurance) over the next year. At the 95% confidence level, the maximum margin of error on the total prospective homebuyer sample is +/- 5.7%.

The 2006/2007 consumer survey was carried out in November 2006, and its results will be reported in the 2006/07 Annual Report.

Description of Performance Measures

Builder satisfaction with licensing system — This measure tracks Licensed Residential Builder satisfaction with the HPO licensing system. Builder satisfaction is tracked through the biennial survey of all licensed builders. Sub-components of satisfaction being tracked include: fairness of the rules/requirements, application and renewal process, and timeliness of licensing decisions.

Builders' rating of the effectiveness of HPO's compliance efforts to monitor and enforce licensing and home warranty insurance requirements and the owner-builder exemption — The HPO carries out compliance activities to ensure that all new homes in B.C. are built in keeping with the licensing, warranty insurance and owner-builder exemption provisions of the *Homeowner Protection Act*. Licensed builders rate the effectiveness of the compliance efforts through the biennial survey.

Homebuyer awareness of consumer protections — This measure tracks homebuyers of new homes' awareness of the consumer protection measures in place in B.C., specifically licensing of residential builders and warranty insurance requirements. Data for this measure is collected through the biennial survey of prospective buyers of new homes.

Homeowner satisfaction with warranty insurance — This measure tracks homeowner satisfaction with the protection provided by warranty insurance on their new home. Data for this measure is obtained through the biennial survey of owners of new homes with home warranty insurance.

Homeowner satisfaction with the quality of home construction — This measure tracks homeowner satisfaction with the quality of the construction of their home. Data for this measure is obtained through the biennial survey of owners of new homes with warranty insurance.

Homeowner satisfaction with the building process — This measure tracks homeowner satisfaction with the building process for their new home. Data for this measure is obtained through the biennial survey of owners of new homes with warranty insurance.

Recovery of homes' values following building envelope renovation — This measure, tracked annually, monitors the improvement of assessed values of homes with repair loans following the completion of building envelope renovations. The measure is calculated as the percentage of homes in the HPO's Reconstruction Loan Program with completed repairs whose assessed values have increased by an amount equal to or greater than the cost of repairs.

Reconstruction Loan default rate — This measure, performed on an annual basis, tracks the effectiveness of the Reconstruction Loan Program in helping to ensure that homeowners do not have to lose their homes as a result of building envelope renovation costs. The data used for this measure is the number of loan defaults among homeowners with reconstruction loans, and is benchmarked against residential mortgage default rates in B.C.

Homes with warranty insurance claims — This measure is an important indicator of the quality of residential construction in B.C. in terms of the number of claims made by homeowners for repairs under home warranty insurance. The number of claims is compared to the total number of homes enrolled during the specific period. In 2002/2003 and 2004/2005 proxy data from the biennial homeowner survey was used in lieu of data from warranty providers.

Builder rating of their overall relationship with their warranty provider — This measure tracks the licensed builders' rating of their overall relationship with their warranty provider. Builder ratings are tracked through the biennial survey of all licensed builders. Subcomponents of this measure being tracked include: ease of the application process for coverage, cost of the warranty insurance and handling of complaints or claims from consumers.

Homeowner satisfaction with warranty insurance — Same measure as described under Goal 2: Informed and Protected Consumers. This measure has been repeated under Goal 3 as homeowner satisfaction is also a valid indicator of the viability of the home warranty insurance system from the perspective of consumers.

Research results disseminated — Recognizing the critical role of ensuring that research results and best practices are disseminated to industry and consumers, this measure focuses on the HPO's participation in major research symposia or publications, and the delivery of educational sessions. Prior to 2005/06, targets for this measure have been for two year periods. Beginning in the 2006/07, targets have been set on an annual basis.

Research results incorporated into building standards and best practices — This measure looks at the effectiveness of the HPO in ensuring that results of research projects are incorporated into standards, codes and best practices. The performance measure tracks the HPO's participation and input into the national and provincial code development process, and involvement in the development of best practice guides and training courses.

Leveraging of additional research and education funding — This measure monitors the effectiveness of the HPO in leveraging additional resources for research and education initiatives with industry partners. The target is to leverage at least twice the amount invested by the HPO by other partners for active research and education projects.

Timeliness of licensing decisions — This is a measure of the HPO's responsiveness in making residential builder and building envelope renovator licensing decisions on completed applications for new licences. Specific targets are set to ensure that HPO licensing decisions are made quickly, thus avoiding unnecessary and potentially costly delays for residential builders. This performance measure is benchmarked against other jurisdictions that register or license residential builders.

Timeliness of Reconstruction Loan Program application decisions — This measure was introduced into the 2006-2009 Service Plan. It is a measure of the HPO's responsiveness in making decisions on completed homeowner loan applications. Baseline data was obtained in 2005/06, and targets have been established in this service plan.

Financial Outlook

A forecast of revenues and expenditures for 2006/2007 through 2009/2010 is shown

in Table 1 (page 22). The forecast for residential builder licensing and construction activity can be found in Table 2 (page 22). Full-time equivalents (FTEs) of staff are shown in Table 3 (page 23). A summary of the key financial components of the Reconstruction Loan Program is found in Table 4 (page 23). The financial plan of the Homeowner Protection Office (HPO) is driven by two main driving forces, which are as follows:

1. **The HPO is self-sustaining from its own revenues.** Licensing fees received from builders are the primary source of revenue to operate HPO programs. The level of activity in new home construction and building envelope renovations determines the amount of funding available. Table 2 (page 22) shows a forecast of the activity. Over the forecast period, it is projected that the demand for new homes will remain relatively strong with modest changes in the market place as residential builders and consumers respond to market influencers such as rising construction costs and affordability of housing.

   Over the service plan period, it is anticipated that under the existing legislative and regulatory environment, a moderate decline in the number of licensed builders will be experienced, which will directly impact HPO's license revenues. This will require the HPO to adjust its level of programming accordingly.

2. **The Reconstruction Loan Program provides financial assistance to all eligible homeowners**
   As required by the *Homeowner Protection Act*, financial assistance in the form of no-interest repair loans is provided to all eligible homeowners. This includes eligible housing co-operatives. The Reconstruction Loan Program may experience variability in its net operating results on a year-over-year basis. Fluctuations occur as a result of many factors affecting the demand for the program and the availability of funds required for the reconstruction loans. A summary of the Reconstruction Loan Program financial components is shown in Table 4 (page 23).

   - **Demand for financial assistance**
     The demand for financial assistance continues as more eligible homeowners with leaky homes repair their units. The value of the financial assistance has been rising as construction costs increase. This has resulted in an increase in expenditures.

     Homeowners continue to sell their repaired homes and repay their no-interest loans. It is forecasted that homeowners will continue to sell their repaired homes enabling the HPO to recover its loan discounts on current loans and consequently decreasing the demand for funds under the program.

   - **Supply of funds for the Reconstruction Loan Program**
     The Reconstruction Loan Program is funded by a $750 Reconstruction Fee, which is collected from residential builders on the construction of every new multi-unit home built for sale in the coastal climate zone. This level of funding from this source is dependant on the amount of new home construction activity. Table 2 (page 22) shows a forecast of the activity. Over the forecast period, it is projected that the relative decline in the number of new multi-unit homes constructed will result in a decline in revenues from the Reconstruction Fee. Although the Reconstruction Fee is a major source of revenue, these funds may be insufficient to operate the Reconstruction Loan Program.

     Variability in the net operating results may occur due to fluctuations in the flow of Reconstruction Fees collected and in the demand for financial assistance. The Province of British Columbia provides bridge financing to the HPO to fund the gap between the incoming Reconstruction Fees and the outflow of funds in the form of financial assistance for the Reconstruction Loan Program. Excess cash on hand in any given year is used to meet ongoing demands for financial assistance and to repay any bridge financing under the Reconstruction Loan Program. The HPO will repay the bridge financing loans provided by the Province over time with incoming Reconstruction Fees collected in the future years.

- **Cessation of Federal Government participation** Until October 2003, the provincial and federal governments shared equally in the cost of the Reconstruction Loan Program. This agreement terminated when the federal government's set contribution limit of $27.7 million was reached.

Cost-effective Partnerships

A joint service delivery model involving other partners continues to minimize the HPO's program delivery costs. The licensing and home warranty insurance program is delivered in partnership with private-sector insurance companies approved by the Financial Institutions Commission to provide home warranty insurance in British Columbia.

Financial institutions continue to play a major role in the Reconstruction Loan Program by providing principal loan amounts to enable homeowners to finance repairs to their leaky homes. When a financial institution provides the principal on a loan, the HPO pays the interest on the loan to the financial institution on behalf of the homeowner.

The HPO's research and education programs continue to be funded primarily by builder license fees. To maximize the effectiveness of research and education projects, the HPO works with key industry groups and other levels of government to lever and pool additional funding.

Risk and Sensitivities

Fluctuations in economic conditions continue to be a major risk factor for the HPO. The HPO's Reconstruction Loan Program is sensitive to changes in the levels of activity in the housing market, the costs of construction and changes in interest rates. As required under the *Homeowner Protection Act*, the HPO must provide financial assistance to all eligible owners of leaky homes. Negative operating results could occur in the Reconstruction Loan Program, if major changes were experienced in any factor or combination of factors. Negative operating results are not being forecasted under the current budget and forecast assumptions. A rise in interest rates and cost of construction, or a downturn in the economy and the housing market may have the following effects:

- reduced revenues from builder licensing fees as a result of lower new home construction activity and consequently a decrease in the new and renewed license applications
- reduced revenues from per unit license fees as a result of decreased new home construction activity
- reduced revenues from Reconstruction Fees on new multi-unit homes constructed for sale in the coastal climate zone as result of decreased new home construction activity
- decreased loan discount recoveries as homeowners of repaired leaky homes experience difficulty in selling their homes due to a weaker housing market
- increased demand for financial assistance as repair costs rise
- increased interest subsidy costs on no-interest loans in the Reconstruction Loan Program as a result of a rising interest rate environment, and
- an extended time horizon for the HPO to repay its bridge financing from the Province arising from funding shortfalls in the Reconstruction Loan Program.

Key Assumptions and Impact on HPO's Budget and Forecasts

The HPO has made several key assumptions in preparation of its financial forecasts, which are based upon the HPO's current authorities.

These assumptions have resulted in a decline in the net operating results in 2009/2010 in the Reconstruction Loan Program. (See Table 4 on page 23). The projected decline in the net operating results in the Reconstruction Loan Program is carried forward to the HPO's consolidated Operating Statement. (See Table 1 on page 22).

An average annual bank prime interest rate equal to the lender's Canadian dollar variable rate loan at 6% has been used in each of the forecast periods except in 2008/2009 wherein a slight decrease of the variable rate loan has been forecasted at 5.75%. An average annual interest rate on CMHC no-interest loans of 5% is incorporated into the forecast periods.

The cost of repairs has been projected to rise in 2007/2008 at an annual rate of 10% per year and then increase at the rate of 6% per annum in each of the subsequent years. A continued demand for financial assistance from eligible homeowners of leaky homes, including eligible leaky housing co-operatives is projected.

A decline of new licensed builders to 750 in 2009/2010 has been assumed. In addition a decline in the number of renewed licences to 2,800 has been projected during the same time table (see Table 2 on page 22 for the annual projections). The number of new homes to be constructed, including new multi-unit homes built for sale in the coastal climate zone is also anticipated to encounter a downward trend (see Table 2 on page 22 for the annual projections).

Table 1: Homeowner Protection Office Consolidated Budget and Forecast

(expressed in thousands of dollars)	2005/2006 Actual $	2006/2007 Forecast $	2007/2008 Budget $	2008/2009 Forecast $	2009/2010 Forecast $
REVENUE					
Builder license fees	3,476	3,072	2,805	2,695	2,575
Reconstruction fee	15,065	12,750	12,600	13,125	13,125
Provincial contributions	3,146	2,600	4,000	4,000	4,000
Federal contribution for loan program	0	0	0	0	0
Interest and other	213	143	140	136	131
Loan discount recoveries*	6,669	6,138	7,130	7,347	7,493
Total Revenue	**$ 28,569**	**$ 24,703**	**$ 26,675**	**$ 27,303**	**$ 27,324**
EXPENDITURES					
Reconstruction loan grants	9,296	9,479	8,660	8,369	8,585
PST Relief Grants	2,874	2,475	3,875	3,875	3,875
Interest subsidy financial institution loans	4,021	4,836	4,604	4,431	4,660
Interest subsidy-CMHC co-op repair loans	893	1,717	3,177	3,940	4,275
Salaries and wages	2,548	2,488	2,525	2,525	2,525
Loss provision on no-interest loans	(1,179)	0	0	0	0
Operating expense	1,946	1,856	1,615	1,551	1,481
Interest and fees	896	1,318	1,363	1,371	1,466
Research studies and education	145	175	155	155	157
Total Expenditures	**$ 21,440**	**$ 24,344**	**$ 25,974**	**$ 26,217**	**$ 27,024**
Surplus – All Programs	**$ 7,129**	**$ 359**	**$ 701**	**$ 1,086**	**$ 300**
Surplus – Excluding Reconstruction Loan Program	**$ 365**	**$ 0**	**$ 0**	**$ 0**	**$ 0**

*The non-cash accounting entry required to amortize HPO funded loans appearing on the balance sheet of the HPO.

Table 2: Residential Builder Licensing and Construction Activity Forecast

The budget is based on the following forecast for licensing and construction activity for both new home construction and building envelope renovations in British Columbia.

	2005/2006 Actual	2006/2007 Forecast	2007/2008 Budget	2008/2009 Forecast	2009/2010 Forecast
New residential builder licences	1,125	1,000	900	800	750
Residential builder licence renewals	3,623	3,454	3,000	2,900	2,800
New homes constructed – subject to $25 fee	37,107	28,800	29,600	29,600	28,000
New homes constructed – subject to $750 fee	20,087	17,000	16,800	17,500	17,500

Table 3: Full Time Equivalents (FTEs) of staff

	2005/2006 Actual	2006/2007 Forecast	2007/2008 Budget	2008/2009 Forecast	2009/2010 Forecast
FTEs	35	35	35	35	35

Table 4: Reconstruction Loan Program

(expressed in millions of dollars)	2005/2006 Actual $	2006/2007 Forecast $	2007/2008 Budget $	2008/2009 Forecast $	2009/2010 Forecast $
Total revenue	21.8	19.0	19.8	20.6	20.7
Total expenditure	(15.0)	(18.6)	(19.1)	(19.5)	(20.4)
Surplus	6.8	0.4	0.7	1.1	0.3
Total loans outstanding	191.9	196.0	220.3	228.5	236.5
Due to Province	31.8	34.1	36.6	40.1	45.1

Homeowner
Protection Office

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1055 W Georgia St
Vancouver BC
Canada V6E 3P3

604 646 7050 *telephone*
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1 800 407 7757 *toll-free*
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SERVICE PLAN 2007/08–2009/10

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MESSAGE FROM THE CHAIR

To: The Honourable Colin Hansen
Minister of Economic Development and
Minister Responsible for the Asia-Pacific Initiative and the Olympics

On behalf of the board of directors, management and staff of the Industry Training Authority (ITA), I am pleased to submit this Service Plan for fiscal 2007/08 – 2009/10.

This plan defines the strategic approach and success measures that will guide our operations over a three-year period. We have a solid base of growth and policy improvement to build upon. Our challenge now is to maintain momentum, as we complete the transition to a truly industry-led training model – characterized by innovation, program quality, and accountability for results.

The single most important characteristic of our operating environment is the extent to which skill shortages are now evident, and continuing to grow.

As a vibrant economy continues to drive demand for skilled workers, there is growing recognition of the need for creative solutions to address supply-side shortfalls. There are, for example, opportunities to enhance trades participation on the part of under-represented groups, such as aboriginals. A system-wide focus on retention and completion will also be key to supply-side success.

Similarly, today's market conditions are driving demands for improved regional access, and for training better tailored to the needs of specific sectors and employers. We also continue to see an interest in industry training on the part of a wider range of employers, including ones whose skills requirements are outside the traditional scope of the trades.

Risks on the demand or industry side of our operations relate to managing growth, while maintaining program quality. One of the key determinants of our success will be the effective involvement of sector-specific Industry Training Organizations (ITOs). The interest in ITOs to-date is encouraging, although sustaining that interest will be dependent on the ability to deliver on industry expectations.

The following are among the initiatives pursued, operational changes made, and accomplishments achieved since our last Service Plan was tabled:

- continued strong growth in participation;
- advancements in the formation and operation of various ITOs;
- continued approval and rollout of new and revised training programs;

- improvements in key customer-service processes such as apprenticeship applications;
- development of training purchase plans on the part of each public training institution in accordance with our funding and accountability framework;
- transition from the Service BC contracted customer service office to in-house staffing, and relocation of our customer service office;
- a best-practices study and pilot testing of alternative training delivery;
- preparation for deployment of a mobile training unit; and
- further development and evaluation of youth programming.

All of these remain focal points for the coming years, and are addressed by the goals and performance measures defined in this Service Plan. In addition, we are building on our system capacity through processes and technology to ensure the long-term sustainability of the industry training system.

System capacity will be further enhanced by virtue of the higher level of funding the ITA will receive over the three-year period covered by this plan. Virtually all additional funding is being directed towards training program delivery. This allocation has been made to ensure follow-through on the Premier's commitment to create 7,000 more apprenticeship technical training spaces by 2010.

The outlook for the ITA, in the board's opinion, is highly positive. We are confident that our performance management framework positions us to capture opportunities, manage risks, and maintain momentum. In so doing, we will fully capture the potential of an industry-led and outcomes-focused training system.

This Service Plan was prepared under the board's direction in accordance with the *Budget Transparency and Accountability Act*. The board is accountable for the contents of the plan, including the endorsement of performance measures and targets. The plan is consistent with government's strategic priorities and Strategic Plan.

All significant assumptions, policy decisions, and identified risks as of January 2007 have been considered in preparing and reviewing this plan. The performance targets have been determined based on an assessment of the ITA's operating environment, forecast conditions and past performance.

Sincerely,

Bev Briscoe
Chair, Board of Directors

ORGANIZATIONAL OVERVIEW

The Industry Training Authority (ITA) is mandated to govern, expand and improve the industry training system. It ensures that training opportunities are accessible to all British Columbians, and that industry's growing requirements for skilled labour are met.

Initiatives and Achievements

Fast-Tracking Industry Leadership

Industry Training Organizations (ITOs) are the most important way in which industry is shifting from an advisory to a managerial role in the training system. The ITA is on target to have six ITOs in operation by the end of 2006/07. The financial and accountability framework for ITOs has been refined in order to accelerate their development.

While the six were approved and launched at different times, all are expected to have boards, senior administrators and business plans in place, and to have moved past start-up and into their development phases by March 31, 2007. They are expected to be joined by as many as four more operating ITOs during the next fiscal year.

ITOs are already developing improved analysis of labour-market requirements, and will play a key role in aligning training outcomes with employer needs.

The ITA's scope of operation includes a wide range of traditional trades, and some emerging fields of training. The common elements in ITA-governed training are that it is conducted primarily on-the-job and developed in close collaboration with industry.

The ITA provides service to two customer groups:

1. Industry – any employer or group of employers with a need for formally trained workers possessing credentials within the ITA's scope of operation; and
2. Learners – apprentices and trainees who participate in industry training programs with the intent of obtaining skills and credentials that are in-demand on the part of employers.

The ITA is focused primarily on industry-training governance, policy development, and system-wide coordination. A group of 21 full-time staff are based at the ITA's office in Richmond. This group is organized along the following functional lines, which are reflective of the ITA's core business areas and major programs:

- Customer Service
- Product (training program) Development
- Finance and Administration
- Policy and Research
- Industry Training Organization (ITO) Development
- Communications and Marketing

Vice presidents or directors with lead responsibilities for each of these functions report to the chief executive officer.

The ITA also employs an additional group of 19 staff, who work from a recently re-located customer service office in Vancouver. These staff provide information and services to both industry and learners, and deal with administrative matters such as registrations, examinations and certifications. These client service functions were formerly carried out on a contractual basis by Service BC staff, but were brought in-house during 2006-07. Service BC offices, however, continue to provide industry training information and services in locations outside the Lower Mainland.

Primary responsibility for training program development, implementation and maintenance is being increasingly devolved to industry-led and sector-specific ITOs. ITOs receive funding from the ITA and assume responsibility for specific training programs. ITO accountability is provided primarily through annual business plans submitted to the ITA for review, and for approval with respect to funding received from the ITA. ITO business plans contain performance targets aligned with the ones in this Service Plan.

During 2006/07, a total of 16 public training institutes (colleges and university colleges) and 21 private training institutes received ITA funding to provide technical training leading to ITA credentials. These institutes deliver the vital in-school component of apprenticeship, and are the point of intersection between industry training and the broader post-secondary education system. The ITA works to facilitate effective liaison between training institutes and industry stakeholders – thus leveraging institutional expertise, and ongoing pursuit of best practices in technical training delivery.

Trainer accountability is provided through institute-specific training purchase plans, developed in consultation with the institutes and relevant ITOs. These plans specify the type and scope of training to be provided, consistent with a system-wide financial and accountability framework. The framework defines standardized program outcomes and prioritizes training types. Training institutes wishing to deliver programs leading to ITA credentials, and which they have not previously delivered, are required to go through a designation process.

The ITA's mandate and accountabilities to its shareholder (the Government of British Columbia) are defined in its enabling legislation – the *Industry Training Authority Act* – and in the *Budget Transparency and Accountability Act*, the *Financial Information Act* and the *Financial Administration Act*. Further accountability is provided by a Shareholder's Letter of Expectations, executed by the ITA and the Minister of Economic Development, to whom the ITA has a reporting relationship.

The most recently executed Shareholder's Letter of Expectations (July 2006) establishes accountabilities relating to under-represented groups, youth participation, and innovative training delivery. This direction is reflected in the goals and measures set out in this plan.

CORPORATE GOVERNANCE

The Industry Training Authority is governed by a nine-member board of directors, independent of government and ITA management and appointed by the Minister of Economic Development. The board has a fiduciary role, consisting of:

- vision and strategic direction;
- review and approval of policy and standards; and
- resolution and selection of options with respect to major strategic issues.

Board members are drawn from diverse sectoral backgrounds, and have a range of industry and training-related expertise. Three standing board committees have responsibility for finance, human resources and governance, and policy development.

ITA governance complies with the recommendations of the Board Resourcing and Development Office (as set out in section three of its best practice guidelines), and full disclosure in this regard is available at www.itabc.ca.

Initiatives and Achievements

Better Return on Training Dollars

One of the key features of the financial and accountability framework, which guides ITA purchases of training from public training institutes, is standardization of the cost and outcomes of pre-apprenticeship or foundation programs.

Standardization has been based on assessments of the time needed to teach key entry-level skills. These programs now provide a recognized level one credit upon program completion, which is an advantage to both trainees and employers.

Standardization and priority-setting have also contributed to reductions in the costs per seat purchased for training. While the most significant of these cost savings have likely now been realized, the ITA anticipates that some ongoing productivity improvement can be achieved.

The more pertinent measure is the cost per participant actually trained. Beginning in 2007/08, the registration and tracking of trainees in foundation programs will enable the ITA to calculate this number. It is the subject of a performance measure and targets defined elsewhere in this plan.

Cost per training seat purchased is, however, a useful interim measure (albeit input-based) and is reflective of efficiencies achieved thus far. Ongoing program quality, meanwhile, will be assured through such performance measures and targets as continuation to apprenticeship.

Productivity Trend and Forecast	2004/05	2005/06	2006/07 Forecast
Cost per Training Seat Purchased	$3,562	$3,017	$2,892

ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN

The Industry Training Authority's vision, mission and values are consistent with, and will support achievement of, the government's overarching vision. The ITA's activities reflect government's core values of integrity, fiscal responsibility, accountability, respect and choice.

> **Government Vision:** *To be a prosperous and just province, whose citizens achieve their potential and have confidence in the future*

More specifically, there is an alignment between many of the goals and performance measures defined in this Service Plan, and two of government's Five Great Goals for the decade ahead:

> **Government Goal:** *Make British Columbia the best-educated, most literate jurisdiction on the continent*

Specific Linkages

- "Expanding industry training and apprenticeship opportunities" is among the current initiatives identified by government in connection with this goal
- The percentage of British Columbians successfully completing an apprenticeship, diploma or degree is one of four performance measures associated with this goal

ITA Activities

Enabling growing numbers of British Columbians to enhance their skills and attain formal educational credentials is central to the mandate of the ITA. This government goal will be advanced by the pursuit of all organizational goals and performance measures defined in this Service Plan. Measures such as completion rates and number of credentials awarded align particularly closely with this government goal, and are incorporated into this plan in a comprehensive manner.

The ITA has also revised its measures to better account for recent direction from government relating to under-represented groups and training innovation.

> **Government Goal:** *Create more jobs per capita than anywhere else in Canada*

Specific Linkages

- Labour/skills shortages are referenced within the discussion of priority actions identified by government in connection with this goal

ITA Activities

A sufficiently large and skilled workforce is one of the pre-conditions for job creation. It attracts investment and enables employers to maximize their productivity and pursue growth opportunities. This government goal will be advanced by pursuit of all organizational goals and performance measures defined in this Service Plan – which are collectively aimed at improving skill levels within the British Columbia workforce.

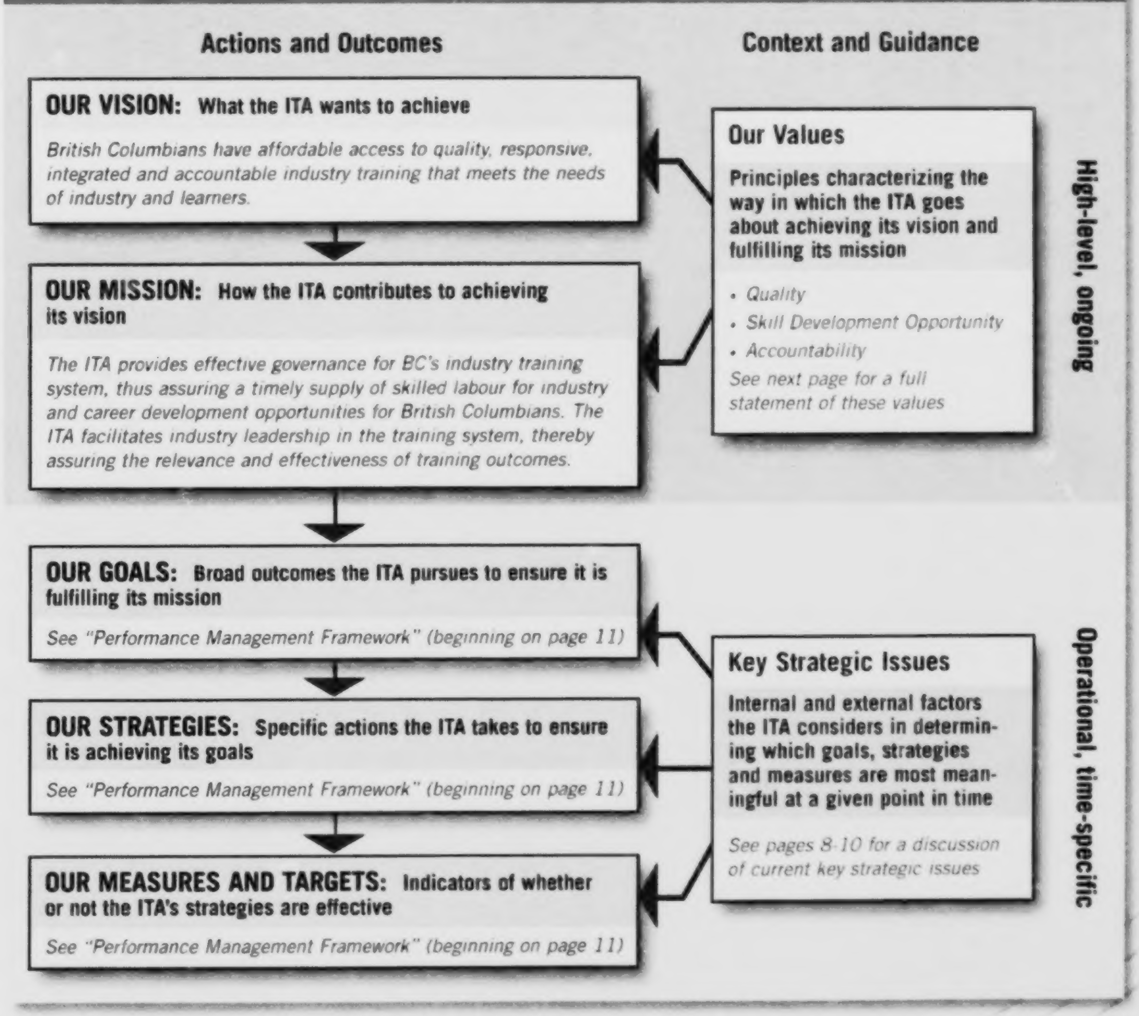
STRATEGIC CONTEXT

PERFORMANCE PLANNING FRAMEWORK

The diagram below shows the Industry Training Authority's (ITA's) performance planning framework, and the connections among its key elements. It defines the various levels of actions and outcomes the organization is pursuing, and key sources of guidance for its activities.

High-level elements (vision, mission and values) have remained consistent since the ITA's inception. Operational-level elements evolve over time in response to current strategic issues. These operational details are defined in the "Performance Management Framework" section of this Service Plan.

ITA Performance Planning Framework



OUR VISION: What the ITA wants to achieve

British Columbians have affordable access to quality, responsive, integrated and accountable industry training that meets the needs of industry and learners.

OUR MISSION: How the ITA contributes to achieving its vision

The ITA provides effective governance for BC's industry training system, thus assuring a timely supply of skilled labour for industry and career development opportunities for British Columbians. The ITA facilitates industry leadership in the training system, thereby assuring the relevance and effectiveness of training outcomes.

OUR GOALS: Broad outcomes the ITA pursues to ensure it is fulfilling its mission

See "Performance Management Framework" (beginning on page 11)

OUR STRATEGIES: Specific actions the ITA takes to ensure it is achieving its goals

See "Performance Management Framework" (beginning on page 11)

OUR MEASURES AND TARGETS: Indicators of whether or not the ITA's strategies are effective

See "Performance Management Framework" (beginning on page 11)

Our Values

Principles characterizing the way in which the ITA goes about achieving its vision and fulfilling its mission

- *Quality*
- *Skill Development Opportunity*
- *Accountability*

See next page for a full statement of these values

Key Strategic Issues

Internal and external factors the ITA considers in determining which goals, strategies and measures are most meaningful at a given point in time

See pages 8-10 for a discussion of current key strategic issues

ITA Values

Quality – Our standards will be clear, measurable and outcomes-based. Training will be current and relevant. We will use competitive training sources, while maintaining the highest standards of training.

Skill Development Opportunity – Training will be accessible to British Columbians and we will recognize skills obtained in other jurisdictions. BC credentials will be portable throughout the province and other jurisdictions. The system will be flexible and offer multiple paths and timeframes. We recognize the learner's obligation for personal development and life-long learning.

Accountability – We will respond to customer needs and be considerate of other stakeholder inputs. We will answer to the shareholder and the public with integrity and openness. We will be performance based and meet our shareholder's expectations, continuously assessing our training programs to ensure they meet the needs of our customers – employers and learners. We will also operate with fiscal responsibility, using criteria-based decision making, and achieve positive outcomes from the training dollars invested.

KEY STRATEGIC ISSUES

The ITA's operating environment is characterized by a broad scope of activities, multi-stakeholder involvement, and rapidly evolving marketplace requirements. There is also an ongoing focus on further development of the organization's internal processes and infrastructure. Accordingly, a number of key strategic issues – representing risks, opportunities and capacity issues – are under continual assessment, and are reflected in the ITA's goals, strategies and measures.

These issues have been identified over the course of the ITA's ongoing consultations with its client and stakeholder audiences; on the basis of direction from government and dialogue with other public agencies; and through the ITA's own analysis of training and labour-market developments in BC and other jurisdictions. Their significance is verified by demographic and other data. Their potential impacts on the training system and the BC economy, if not effectively responded to, are deemed to be highly significant.

Key Strategic Issue	Status and Implications	Linkages to Goals and Measures
Labour market demand growth	Employment growth is projected to continue at a strong pace of 2.0% in BC in 2007, with the addition of another 43,000 jobs. Recent gains have been concentrated in sectors such as construction, which is heavily dependent on industry training. This represents opportunity, in the form of a demand-side pull, and creates an imperative to maintain supply-side and system-capacity growth.	• Goal 1 (refined) addresses growth in training participation, measured in terms of both demand (employers) and supply (apprentices/trainees)
Labour market supply constraints	BC is experiencing modest population growth, mainly due to in-migration gains. However, employment growth outpaced labour-force growth throughout early 2006. With low unemployment here and in much of Canada, supply constraints will become more acute and widespread. Demographic trends will exacerbate the impact, given anticipated elevated levels of retirement and BC's relatively high median age. This will increase the challenge of meeting demand for ongoing growth in industry training participation.	• Goals 1 and 6 provide an ongoing focus on youth, which is a key to addressing demographic impacts and increasing long-term supply • Goal 3 (new) focuses on accessibility and flexibility – features expected to enhance recruitment into trades in an increasingly competitive labour market
Under-representation/ utilization	There are relatively low levels of female and aboriginal participation in the trades – representing opportunities to better address general labour-supply constraints.	• Goal 1 includes new measures/sub-measures focusing specifically on female and aboriginal participants
Degree of industry support	An industry-led training model is dependent for its success on the active engagement of employers and industry associations. There is a critical leadership role for industry through the operation of Industry Training Organizations (ITOs). While industry commitment to-date has been strong, ITO formation and operation are still in their early stages.	• Goal 2 addresses industry engagement, through prioritized expansion of the ITO framework • ITO development is also defined as a core function/business area for the ITA • Goal 6 addresses stakeholder awareness

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Key Strategic Issue	Status and Implications	Linkages to Goals and Measures
Technical training capacity	Capacity to provide work-based training to growing numbers of apprentices is being assured through concurrent growth in the number of registered employers. Capacity to provide technical training, however, is ultimately limited by physical capacity, utilization efficiencies, and access to capital funding for expansion on the part of training institutes. Technical training capacity constitutes a potential bottleneck inhibiting system growth, although the allocation of additional training program delivery funding alleviates this risk.	• Goal 4 addresses trainer adherence to training purchase plans, through which delivery prioritization and outcomes are defined • Goal 3 (new) addresses expanded use of alternative models, which commonly alleviate demands on conventional training • Youth programs (goal 1) also provide some access to delivery capacity within the K-12 system • More effective use of training capacity is also an ITA focal point, and is encompassed within Goal 4
Retention and completion	Relatively low rates of apprenticeship completion are confirmed by statistical assessments in BC and elsewhere. Low completion makes growth in participation less meaningful, and reduces the return on investments in training.	• Refinements to goal 1 will see continuation and completion measured for training participants by category • Goal 3 (new) focuses on accessibility and flexibility – features expected to enhance retention and completion • Goal 5 encompasses direct measures of customer satisfaction

Initiatives and Achievements

A New Information Technology Platform

Development of a new information technology platform is underway, which will allow for more efficient management of BC's industry training system, and for better tracking and reporting of outcomes.

The new system will significantly improve service to training participants. Apprentices, for example, will be able to complete registration and other transactions online, as well as to access technical training marks and other information. These improvements will be key to achieving targeted levels of service and customer satisfaction.

The new system will automate ITA business processes, and provide a common platform for further improvement of the ITA web site and development of customized ITO web sites. It will also facilitate more efficient sharing of documentation throughout the industry training system.

Full implementation of the new system is expected to be achieved in phases over the course of calendar 2007 and 2008.

PERFORMANCE MANAGEMENT FRAMEWORK

The Industry Training Authority has established six goals, and associated strategies and performance measures, which will guide its activities over the next three years. This performance management framework is closely derived from the ITA's vision and mission statement, and is informed by the organization's values and its assessment of key strategic issues (see page 7).

Collectively, these goals, strategies and performance measures comprise the overall intended results of this Service Plan, and progress will be reported in annual reports. The ITA has organized its core business areas to maximize its efficiency in delivering these intended results.

CHANGES TO THE FRAMEWORK

There is a high degree of continuity between the performance management framework in this Service Plan, and that in the most recent previous plan. Key changes and refinements include:

- expanded and consistent measures of participation by all main categories of training participants;
- addition of measures/sub-measures focusing specifically on female and aboriginal participation;
- addition of a measure relating to Industry Training Organization (ITO) performance and accountability;
- addition of a goal with respect to accessibility, flexibility and alternative training;
- addition of measures relating to technical training wait times, number of seats purchased and cost per participant trained; and
- definition of service level standards and targets.

Benchmarks and targets will be defined over the coming year, with respect to various new or refined measures. The inclusion of these measures within this plan, however, reflects the ITA's commitment and capacity to undertake new program initiatives in some areas (such as aboriginal participation and alternative delivery), and to more broadly and rigorously track outcomes.

RATIONALE FOR GOAL SELECTION

Goals and performance measures are established with reference to the ITA's ongoing consultations with its customer and stakeholder audiences. These include annual surveys, which provide data and insight on current issues and priorities. ITOs are also emerging as an important consultative forum on a sector-specific basis.

ITA GOALS: 2007/08-2009/10

1. Expand supply-side and demand-side participation
2. Provide infrastructure (primarily ITOs) to assure active and effective industry engagement and leadership
3. Expand training accessibility and flexibility through introduction of innovative alternative technical training models
4. Manage program delivery and funding through an effective financial and accountability framework
5. Ensure high-quality program standards and high levels of client satisfaction with ITA services
6. Ensure high levels of stakeholder awareness and intent to participate by target groups, through communications and marketing initiatives

Measures have been selected with reference to data availability and reliability, and the degree to which achievement is attributable to the ITA. Wherever possible, measures are quantitative, and focus on either key outcomes or closely connected indicators. Given the ITA's focus on process improvement and growth management, benchmarking is incorporated with reference to its own past performance. Efficiency-related measures (e.g. completion and continuation rates, cost per participant trained) are included.

PERFORMANCE MANAGEMENT SYSTEMS

The Apprenticeship Information Management System (AIMS) is the data source currently relied on in connection with various performance measures relating to participation and service-level standards. AIMS, the original version of which was implemented in 1988/89, relies on manual data entry carried out by ITA Customer Service staff and by training institutes.

AIMs is a real-time or live system, whose utility for statistical tracking is limited. System and procedural upgrades, however, have allowed for stable monthly measurement and reporting, and management's confidence in AIMS-derived performance data is therefore high. Design and planning for a new information technology system, including registration and tracking functions, is currently underway. (See "A New Information Technology Platform" page 10.)

Performance measurement relating to customer satisfaction, stakeholder awareness and youth intent is undertaken by independent market-research experts. There are no data-collection uncertainties or issues relating to the other measures in this plan.

Initiatives and Achievements

Innovation in Training Delivery

Apprenticeship technical training is largely provided in full-time sessions of six to 10 weeks at a post-secondary institute. Recent research has confirmed that such structured approaches can be a barrier to participation for many apprentices and employers, particularly in times of high employment and economic growth, and in more remote locations.

Alternative delivery is being piloted in various programs in BC – with approaches ranging from more flexible scheduling, through to online and self-paced models – and has generally been well-received by both apprentices and employers.

The ITA will now work with ITOs and training institutes to ensure a broader availability of the most effective options. An alternative training strategy will build in part on best-practices identified in a study recently commissioned by the ITA. One major milestone will be the launch of a mobile training unit in Northern BC in March 2007.

Experience elsewhere suggests that in some cases, the amount of time spent in classrooms can be reduced by as much as half, through various forms of alternative delivery, while still maintaining quality outcomes.

GOALS, STRATEGIES, AND PERFORMANCE MEASURES

GOAL 1: Expand supply-side and demand-side participation

Strategies:

- Continue to address both demand and supply-side barriers, with a particular focus on facilitating increased aboriginal participation
- Continue to work collaboratively on provision and expansion of youth programs
- Credential and track progress of foundation program trainees, and encourage their advancement to apprenticeship
- Monitor rates of completion and continuation to apprenticeship

Performance Measure	Baseline		Targets		
	2005/06 Actual	**2006/07 Forecast**	**2007/08**	**2008/09**	**2009/10**
All Participants[1] - Registered Participants	26,525	36,000	36,000	TBD – Based on ITO Forecasts	TBD – Based on ITO Forecasts
- Credentials/Credits Awarded	n/a	Establish Baseline	TBD	TBD	TBD
Apprenticeship - Registered Participants	23,266	28,000	28,000	TBD – Based on ITO Forecasts	TBD – Based on ITO Forecasts
- Credentials Awarded	2,899	3,200	3,500	4,000	4,000
- Completion Rate[2]	42%	40%	42%	44%	46%
Foundation Programs[3] - Registered Participants	n/a	4,000[4]	4,000	TBD – Based on ITO Forecasts	TBD – Based on ITO Forecasts
- Credentials Awarded	n/a	4,000	4,000	TBD	TBD
- Completion Rate	n/a	Establish Baseline	TBD	TBD	TBD
- Continuation to Apprenticeship	n/a	Establish Baseline	TBD	TBD	TBD

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Performance Measure	Baseline		Targets		
	2005/06 Actual	2006/07 Forecast	2007/08	2008/09	2009/10
Youth Apprenticeship - Registered Participants	3,259	4,000	4,000	TBD – Based on ITO Forecasts	TBD – Based on ITO Forecasts
- Credits Awarded	n/a	Establish Baseline	TBD	TBD	TBD
- Completion Rate	n/a	Establish Baseline	TBD	TBD	TBD
- Continuation to Apprenticeship	n/a	Establish Baseline	TBD	TBD	TBD
- Percent of Female Participants	n/a	Establish Baseline	TBD	TBD	TBD
Registered Sponsors with Active Apprentices	8,819	9,200[5]	9,500[6]	TBD – Based on ITO Forecasts	TBD – Based on ITO Forecasts
Aboriginal Participation	n/a	Establish Baseline, Develop Strategy	25% Increase Over Baseline	50% Increase Over Baseline	100% Increase Over Baseline

[1] "All Participants" includes the total of apprenticeship, foundation program and youth apprenticeship participants. It is equivalent to the "number of registered trainees/apprentices" measure in the most recent previous Service Plan – with the addition of foundation program participants, who are now registered with the ITA.

[2] This completion rate is calculated quarterly, by determining how many of the apprentices who registered in the same quarter six years earlier have completed their programs and obtained certification.

[3] Foundation programs are pre-apprenticeship programs, directly aligned with apprenticeship programs, which provide one pathway into industry training. This category includes both newly approved, industry-driven programs, as well as those previously known as Entry Level Trades Training (ELTT).

[4] Registration of foundation program participants with the ITA will take place upon program completion, beginning in late 2006/07.

[5] This target has been adjusted downward by 300, reflecting recent trends in sponsor participation. The adjustment is not expected to impact targeted growth in training participants.

[6] This target has been adjusted downward by 1,000, reflecting recent trends in sponsor participation. The adjustment is not expected to impact targeted growth in training participants.

GOAL 2: Provide infrastructure (primarily ITOs) to assure active and effective industry engagement and leadership

Strategies:

- Accelerate rollout and capacity development of Industry Training Organizations (ITOs) in prioritized sectors
- Continue to refine policy framework and operational guidelines, based on implementation experience
- Work with ITOs on development of aligned business plans and monitor performance against targets

Performance Measure	**Baseline**		**Targets**		
	2005/06 Actual	**2006/07 Forecast**	**2007/08**	**2008/09**	**2009/10**
Number of Operating ITOs	3	6	Up to 10[7]	TBD	TBD
ITO Performance and Accountability Framework	n/a	Business Plans with Measures & Targets Approved by ITA	Performance Targets Substantially Met by ITOs	Performance Targets Substantially Met by ITOs	Performance Targets Substantially Met by ITOs

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[7] This target has been adjusted (from 10-15) in light of strong progress in ITO formation. This progress is reflected most particularly in the fact that approximately 85% of apprentices are pursuing programs within the scope of operation of ITOs already launched or under development. The revised target also aligns with anticipated ITA resources.

GOAL 3: Expand training accessibility and flexibility through introduction of innovative alternative technical training models

Strategies:

- Develop system-wide applications for outcomes and findings from alternative-delivery pilot projects and best-practices study
- Work collaboratively with ITOs and training institutes on design and implementation of new alternative-delivery programs
- Implement demonstration projects and corporate partnerships for mobile training program ("TradeRoutes")
- Continue to expand regional availability of technical training

Performance Measure	**Baseline**		**Targets**		
	2005/06 Actual	**2006/07 Forecast**	**2007/08**	**2008/09**	**2009/10**
Development of Alternative Training Model Strategy	n/a	n/a	Strategy Approved	TBD	TBD
Number of Apprentices Using Alternative Models	n/a	Establish Baseline	TBD	TBD	TBD

GOAL 4: Manage program delivery and funding through an effective financial and accountability framework

Strategies:

- Continue working with all training institutes (public and private) to facilitate alignment of training delivery with financial and accountability framework
- Involve ITOs in process, and ensure training purchase plans reflect sector-specific priorities
- Minimize waiting times and maximize program utilization
- Improve return on training dollars invested

Performance Measure	Baseline		Targets		
	2005/06 Actual	2006/07 Forecast	2007/08	2008/09	2009/10
Development of Institution-Specific Training Purchase Plans, in Consultation with ITOs and Training Institutes	Agreement-in-Principle with Public Training Institutes re Framework	Plans in Place – Substantial Consistency With Framework	Plans in Place – Consistency With Framework	Plans in Place – Reflective of ITO Priorities	Plans in Place – Reflective of ITO Priorities
Number of Apprentices Waiting More Than 12 Months for Next Level of Apprenticeship Technical Training	n/a	Establish Baseline	<7% of Apprentices Waiting	<5% of Apprentices Waiting	<3% of Apprentices Waiting
Apprenticeship Training Spaces Purchased	18,098	20,166	23,200	25,200	27,200
Cost per Participant Trained	n/a	Establish Baseline	Maintain or Improve	Maintain or Improve	Maintain or Improve

GOAL 5: Ensure high-quality program standards and high levels of client satisfaction with ITA services

Strategies:

- Continue to update program standards and curriculum and assessment tools, in cooperation with ITOs and other industry stakeholders
- Continue annual Customer Satisfaction Index measures, address identified deficiencies
- Continue to refine business processes and provide necessary customer-service staff support, to ensure achievement of service level standards
- Continue to work with industry on development and approval of new programs and refinement of existing programs

Performance Measure	**Baseline**		**Targets**		
	2005/06 Actual	**2006/07 Forecast**	**2007/08**	**2008/09**	**2009/10**
Industry Training Programs Updated to Established Standards[8]	9	20	40	60	95% of all Programs
Customer Satisfaction Index	81 (+/- survey margin of error)	81 (+/- survey margin of error)	Maintain or Improve	Maintain or Improve	Maintain or Improve
Service Level Standards (time to complete)					
- Registrations	Standards and Targets Established (for 1st 4 measures)	- 27 days	- 20 days	- 10 days	- 1 day
- Assessments		- 45 days	- 10 days	- 10 days	- 10 days
- Certifications		- 6 days	- 5 days	- 5 days	- 5 days
- Exam Results		- 15 days	- 15 days	- 15 days	- 15 days
- Customer Inquiries		- n/a	- Establish Baseline & Targets	- TBD	- TBD

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[8] "Established standards" are of two types: i) standards established nationally through the Inter-Provincial (Red Seal) Program for 45 occupations, and consisting of National Occupational Analyses and National Endorsement Examinations; and ii) provincial standards established by the ITA and consisting of/reflected in Program Profiles, Program Outlines, Level Examinations, Practical Assessments, Log Books and Certification Examinations. Apprentices meeting provincial standards receive a BC Certificate of Qualification, and those meeting Inter-Provincial (Red Seal) standards receive an endorsement to their provincial qualification. Targets for future years have been adjusted upward significantly to reflect increased capacity in this regard by virtue of ITO formation.

GOAL 6: Ensure high levels of stakeholder awareness and intent to participate by target groups, through communications and marketing initiatives

Strategies:

- Continue annual Stakeholder Awareness Index measures, address identified deficiencies
- Partner in and leverage communications and marketing efforts on part of other groups as appropriate
- Continue development of ITA web site, in conjunction with new information technology platform, to provide online customer-service platform
- Continue development of recognition and scholarship programs for current and prospective training participants
- Continue implementation of communications strategies targeting youth

Performance Measure	**Baseline**		**Targets**		
	2005/06 Actual	**2006/07 Forecast**	**2007/08**	**2008/09**	**2009/10**
Stakeholder Awareness Index	78 (+/- survey margin of error)	81 (+/- survey margin of error)	Maintain or Improve	Maintain or Improve	Maintain or Improve
Percent of BC Youth (grades 10-12) who Intend to Pursue Trades Qualifications Post-High School	19.5% (+/- survey margin of error)	Maintain or Improve	Maintain or Improve	Maintain or Improve	Maintain or Improve

SUMMARY FINANCIAL OUTLOOK

This summary financial outlook is based on the key assumptions, risks and sensitivities noted on the following page, which are consistent with the broader strategic context outlined in a previous section.

($000's)	2004/05 Actual	2005/06 Actual	2006/07 (forecast)	2007/08 (forecast)	2008/09 (forecast)	2009/10 (forecast)
REVENUE						
Contributions from the Province [1]	78,054	77,795	90,631	97,941	101,338	105,738
Other Income	533	689	1,134	1,058	1,090	1,090
Total Revenue	**78,587**	**78,484**	**91,765**	**98,999**	**102,428**	**106,828**
COSTS						
General Operations & Admin						
General Operations & Admin	4,203	5,616	6,415	6,307	6,237	5,906
Depreciation	102	139	290	400	700	700
Total General Operations & Admin	**4,305**	**5,755**	**6,705**	**6,707**	**6,937**	**6,606**
Program Operations Costs						
Training Program Delivery	70,368	72,074	80,798	86,992	90,191	94,922
Program Development & Maintenance	1,582	1,416	2,500	3,000	3,000	3,000
Supply Side Initiatives (Aboriginals)	–	–	–	300	300	300
Industry Training Organizations	–	639	1,245	2,000	2,000	2,000
Total Program Operations Costs	**71,950**	**74,129**	**84,543**	**92,292**	**95,491**	**100,222**
Total Costs	**76,255**	**79,884**	**91,248**	**98,999**	**102,428**	**106,828**
Projected Net Income (loss) [2]	2,332	(1,400)	517	0	0	0

[1] Contributions from the Province						
Ministry – General Funding [3]	77,281	77,281	90,281	96,938	101,338	105,738
ACE IT – Directed Funding	773	427	–	–	–	–
YES 2 IT - Directed Funding	–	87	350	1,003	–	–
	78,054	77,795	90,631	97,941	101,338	105,738

[2] Approval to incur a deficit in F 05/06 was received from the Ministry in August 2005.

[3] Increased funding of $6.6M in F 07/08, $11.0M in F 08/09 and $15.4M in F 09/10 has been allocated to address the Premier's commitment to add 7,000 apprenticeship training spaces over three years.

Key Assumptions	Risks and Sensitivities
• Demand-driven increases in industry training participation	• Requires ongoing commitment of resources sufficient to train growing numbers and improve completion
• Need to focus on supply-side recruitment and broader representation issues	• Requires commitment of resources to new initiatives, particularly ones targeting under-represented groups
• Larger responsibility on the part of industry for training development, management and delivery, including co-funding (through Industry Training Organizations or ITOs)	• Insufficient commitment on the part of industry would jeopardize achievement of system-wide goals
• Improvements in productivity/training costs per seat purchased	• Failure to achieve ongoing productivity improvements could result in higher training purchase costs
• Adherence to performance expectations/targets on the part of ITOs and training institutes	• Significant performance deficiencies could jeopardize achievement of system-wide goals
• Some expansion (sectors/programs) beyond the traditional scope of the trades	• Scope expansion could require additional resources

FUTURE FINANCIAL OUTLOOK

Industry has, thus far, enthusiastically embraced the ITO framework, with several sectors now well-advanced in their efforts to develop sustainable models.

Significant improvements have already been achieved in the areas of business-process improvement, efficiency of capacity use, and reductions in training-purchase costs. This has reduced Industry Training Authority (ITA) costs, relative to the scope and level of activity undertaken, and there is believed to be potential for further improvement.

The ITA continues to incur relatively high costs associated with infrastructure development (e.g. replacement of the AIMS system), but the level of such expenditures will likely decline over time.

The ITA will have the benefit of increased funding in 2007/08 – 2009/10, virtually all of which has been allocated to training program delivery, in order to address the Premier's commitment to add 7,000 training spaces over three years.

ita
industry training authority

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ICBC Insurance Corporation of British Columbia

Service Plan

2007 – 2009

January 2007

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Introduction

Purpose

The Insurance Corporation of British Columbia's (ICBC) 2007 – 2009 Service Plan presents an overview of the company's three-year plan to fulfill its responsibilities for providing automobile insurance, driver licensing, and vehicle licensing and registration services. In this Service Plan, ICBC sets out its performance accountability to the public by describing:

- where the company envisions itself in three years;
- what goals ICBC needs to achieve to realize this vision; and
- how ICBC defines and measures progress on achieving these goals.

In early 2008, ICBC will publish its 2007 Annual Report detailing the extent to which it has achieved the goals set out in this Service Plan. The Service Plan and Annual Report are companion documents and central to the broader accountability framework for Crown corporations.

In developing the Service Plan, ICBC has relied on guidance provided by:

- the Legislative Assembly of BC's Select Standing Committee on Crown Corporations (SSCCC) in *A Guide to Operations*, April 2003;
- the Crown Agency Secretariat's *Guidelines for Government Organizations Service Plans*, September 2006; and
- the Shareholder's Letter of Expectations between ICBC and government.

Balancing Accountability and Commercial Sensitivity

ICBC is committed to providing customers and the public with information needed to understand the company's plans and to evaluate its performance against those plans. This is fundamental to the governance of any Crown corporation.

ICBC competes with other insurance companies in the sale of optional automobile insurance products in BC, which accounts for over $1.4 billion in premiums and are an important component of ICBC's business. Due to commercial concerns, this Service Plan does not provide specific information pertaining to ICBC's competitive insurance products, including competitive intelligence, performance measures and targets associated with the competitive line of business, and specific competitive business strategies.

Letter from the Chair of the Board

Chair, ICBC
Vancouver
January, 2007

The Honourable John Les
Minister of Public Safety and Solicitor General
Government of British Columbia

Dear Minister,

On behalf of the Board of Directors and employees, I am pleased to present the company's 2007 – 2009 Service Plan. As in previous years, the Service Plan documents how ICBC will address the challenges and opportunities that lay before us.

Some of our achievements in the past year include making our services more accessible to customers through expanded hours of service at an increased number of service locations, partnering with police and communities to fight auto crime, and establishing a long-term collective agreement. We remain committed to efficiently providing high quality products and services for British Columbians.

By following the strategic framework that has guided our work since late 2002, we have been successful in focusing on building the financial strength of the company and still producing high levels of customer service. While this strategic framework has served us well, we also recognize that strategies need to be updated and adjusted from time-to-time to address the opportunities and challenges ahead.

First, a perspective on some of the risks and issues that face the company. The escalation in the cost of bodily injury claims is a serious concern to the auto insurance industry. It continues to be ICBC's most significant challenge over the next few years. Increasing settlement costs associated with injury claims continue to affect ICBC's ability to provide customers with competitive and stable prices. ICBC is working on addressing these cost trends by working to reduce the number and severity of the crashes that take place.

Also, increasingly competitive labour markets in BC impact the company's ability to attract and retain qualified employees. To deal with this challenge, we will focus on developing and implementing people strategies that are aligned to our business objectives.

In terms of opportunity, the new legislative and regulatory framework affords us clarity on the competitive landscape and benefits our customers by providing improved information and more choice. However, there is more to do. We will work with our broker network and other business partners to bring further innovative services and products to meet the needs of our customers. In addition, we will also work to ensure that our rates continue to be competitive. There are also further opportunities for ICBC to work with stakeholders, communities and various government agencies to make our roads safer.

With these opportunities and challenges in mind, this year's Service Plan outlines an evolution of ICBC's corporate strategy that brings greater clarity to our strategic direction. The updated vision statement emphasizes ICBC's focus on being BC's preferred auto insurer, providing protection and peace of mind. The goals of the strategy have also evolved, resulting in two changes: (1) the elevation of "Being Competitive" as being applicable across the entire strategy; and (2) emphasis given to sustaining a competitive business operation positioned for the future through the new goal of Operational Excellence.

The company's updated strategy builds on our success to date and ensures ICBC will continue to be focused on meeting our customers' needs and being a valuable asset to our shareholder, now and in the future.

In conclusion, I am excited about the opportunities before us, and I am confident in our ability to meet the challenges ahead. With our great team, a proven history of success and a commitment to our customers, we are well-positioned to be British Columbians' preferred auto insurer.

T. Richard Turner
Chair, Board of Directors

Statement of Accountability

ICBC's 2007 – 2009 Service Plan was prepared under the direction of the Board of Directors in accordance with the *Budget Transparency & Accountability Act*. The Board is accountable for the contents of the plan, including the selection of performance measures and targets and the basis on which the plan has been prepared. The plan is consistent with government's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions and identified risks, as of December 31, 2006, have been considered in preparing the plan. The Board is accountable for ensuring ICBC achieves its specific objectives and measures identified in the plan and for measuring and reporting actual performance. Achievement of results may be influenced by factors, such as legislative and other external changes, which are beyond the company's control.

The performance targets in this plan have been determined based on an assessment of ICBC's operating environment, forecast conditions, risk assessment and past performance.

T. Richard Turner
Chair, Board of Directors

Overview of ICBC

ICBC is a provincial Crown corporation established in 1973 to provide universal compulsory automobile insurance (Basic insurance) to BC motorists. ICBC is the sole provider of Basic insurance in the province. Since 2003, Basic insurance rates have been regulated by the British Columbia Utilities Commission (BCUC). In addition, ICBC competes with other insurance companies in the sale of Optional automobile insurance coverages.

ICBC is one of Canada's largest property and casualty insurers with annual earned premiums of approximately $3.3 billion and approximately $9.0 billion in assets, and employs approximately 5,000 people[1]. ICBC offers insurance products to more than three million policyholders through a network of over 900 brokers, government agents and appointed agents. ICBC's claims handling services process approximately 947,000 claims per year through our 24-hour telephone claims handling facility, which operates seven days a week, our province-wide network of over 39 claims service locations and our corporate website (icbc.com).

ICBC invests in loss management programs to prevent crashes, automobile crime, and fraud, which benefit customers by keeping insurance premiums competitive and stable.

In addition to its Basic insurance and Optional insurance lines of business, ICBC provides vehicle and driver licensing services, vehicle registration services and fines collection on behalf of the provincial government. ICBC refers to the provision of these services as its Non-insurance line of business.

The primary function of insurance is to spread risk through the collection of premiums from many to pay for the losses of a few. Premiums, therefore, are designed to reflect the risk of loss. In 2006, ICBC earned approximately $3.3 billion in premiums for both Basic and Optional insurance from about 3.2 million annualized policies sold. In the same year, the company incurred approximately $2.6 billion[2] in insurance claims costs.

Similar to vehicle owners in other provinces, BC residents are legally required to purchase a Basic package of insurance. For the Basic product, private passenger and commercial vehicle owners are provided with $200,000 in third-party legal liability protection, $150,000 in no-fault accident benefits, and $1 million of underinsured motorist protection. Buses, taxis, limousines and extra-provincial trucking and transport vehicles have higher mandatory levels. In addition to providing Basic insurance, ICBC competes with private insurers for the provision of Optional coverages, including extended third party legal liability, collision, comprehensive, vehicle storage, and others. Figure 1 on the next page illustrates the full spectrum of ICBC's Basic and Optional insurance products.

The automobile insurance product in BC is based on a full tort scheme, which means injured parties are entitled to take the at-fault party to court for the full amount of his or her damages (e.g., wage loss, pain and suffering). The insured injured party has access to a maximum of $150,000 for medical and rehabilitation expenses and up to $300 per week for wage loss through his or her Basic insurance from ICBC. This differs from other jurisdictions with variants of no-fault automobile insurance. In those provinces, compensation can be based on predetermined benefit schedules, threshold schemes, and/or caps or deductibles on pain and suffering awards. Further, there may be limited or no ability to sue for additional damages.

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[1] As ICBC's 2006 financial statements are not finalized as of December 31, 2006, outlooks for 2006 have been provided. These are the best outlooks available at the time the Service Plan was prepared. For final numbers, please consult ICBC's 2006 Annual Report once it is available. Data for the financial information contained in this plan are from ICBC's corporate financial systems, which are audited annually by the Corporation's external auditors.

[2] Ibid

Figure 1. *Basic vs. Optional Insurance*

Basic Coverage

The minimum amount of insurance any vehicle must carry to legally operate in BC:

- Third-Party Legal Liability
- Accident Benefits
- Underinsured Motorist Protection
- Protection Against Hit-and-Run and Underinsured Motorists
- Inverse Liability Coverage

Optional Coverage

Additional coverage to meet the customer needs:

Vehicle

- Collision
- Comprehensive
- Specified Perils
- Vehicle in Storage
- Limited Depreciation Coverage
- Replacement Cost Coverage
- Collector & Vintage Vehicles

Equipment

- Motor Vehicle Equipment
- Excess Special Equipment
- Motor Home Contents

Individual

- Extended Third-Party Liability
- Excess Underinsured Motorist Protection
- Loss of Use
- Vehicle Travel Protection
- RoadStar / Roadside Plus

Inter-provincial comparisons are difficult because tort-based and no-fault systems of insurance produce vastly different cost structures and benefit levels. Claims costs in a tort environment are primarily driven by litigation costs, injury severity, and legal precedents, which add a level of uncertainty and unpredictability to costs. In a no-fault system, costs are driven predominantly by wage replacement, no-fault medical and rehabilitation costs, and injury severity.

Loss Management Programs

ICBC invests customers' premiums in fraud prevention and road safety initiatives that provide a direct benefit to its customers through reduced claims costs that ultimately keep premiums competitive and stable. ICBC works with a network of partners across the province to deliver these programs, including the Ministry of Public Safety and Solicitor General, the enforcement community, the Ministry of Attorney General, the Ministry of Transportation, brokers, municipalities, community groups, and volunteers. In 2006, ICBC invested approximately $48 million on loss management and road safety initiatives.

Non-Insurance Services

Unlike traditional property and casualty (P&C) insurers, ICBC provides a number of Non-insurance services on behalf of government. These services include vehicle and driver licensing services, vehicle registration, and government debt collection.

In 2003, a service agreement between ICBC and government was established to delineate services and their associated costs, thereby creating a stronger foundation for this partnership. The costs of these Non-insurance expenses are funded through ICBC's Basic insurance premiums.

Investments

Investment income contributes significantly to overall net income and plays an important part in minimizing the cost of insurance. ICBC investment assets arise from funds set aside for unpaid claims, unearned premiums and retained earnings. Similar to other P&C insurers offering automobile insurance products, ICBC invests conservatively, with the majority of investments held in the form of fixed income instruments comprised primarily of bonds. The heavy weighting in bonds is designed to offset (hedge) the risk embedded in interest-sensitive liabilities. The portfolio also includes investments in equities and real estate assets, which are held to enhance returns and provide added diversification.

Investment transactions are governed by a set of guidelines and procedures outlined in a Board-approved Investment Policy. This policy addresses the company's risk tolerance and investment goals, and specifies a long-term investment asset mix consistent with these objectives. It also specifies market-linked benchmarks against which investment performance is evaluated. In addition to these internal governance provisions, ICBC is also governed by the "prudent person" standard as set out in the *Insurance Companies Act (Canada)*. This standard requires ICBC to make investments for its insurance business in a manner that "a reasonable and prudent person would apply in respect of a portfolio of investments to avoid undue risk of loss and to obtain a reasonable return," and is the same standard required of federally regulated insurance companies.

Key Business Partners

Independent insurance brokers distribute ICBC's insurance product and as such are a key business partner. ICBC and the brokers are guided in this partnership through both the AutoPlan Agency Agreement and the Strategic Broker Accord. The Broker Accord is a five-year agreement expiring December 31, 2007.

The collision repair industry provides auto repair services to ICBC customers. ICBC and the Automotive Retailers Association (ARA) and New Car Dealers Association (NCDA) share in a performance-based agreement negotiated in April 2005 for a three-year period. ICBC and its industry partners are committed to a performance-based system that is fair to all parties, and is in the best interests of our mutual customers, while delivering safe, quality, guaranteed repairs.

The Minister of Public Safety and Solicitor General works closely with ICBC through a Memorandum of Understanding which provides for increased police traffic enforcement activities to curb unsafe driving practices that lead to crashes. Additionally, ICBC enters into agreements with road authorities to share the costs of improvement to road design with the objective of decreasing the frequency and severity of crashes.

The Office of the Superintendent of Motor Vehicles (OSMV), which is part of the Ministry of Public Safety and Solicitor General, and ICBC work together to reduce the number and severity of driver error-based crashes in BC. The OSMV is responsible for driver improvement and medical fitness programs. ICBC is accountable for testing and licensing drivers and administering certain functions on behalf of OSMV. Government agents and appointed agents provide driver and vehicle licensing services to small communities on behalf of ICBC.

Governance

ICBC's governance is defined through legislation applicable to all Crown corporations and legislation specific to the company itself. ICBC's corporate governance is further defined by the Shareholder's Letter of Expectations between the Minister responsible for ICBC as a representative of the shareholder, the Government of British Columbia, and the Chair of ICBC's Board of Directors as a representative of ICBC. The Honourable John Les, Minister of Public Safety and Solicitor General, is the Minister responsible for ICBC.

The Shareholder's Letter of Expectations is designed to create a common understanding between the shareholder and Crown corporation's Board of Directors on responsibilities and accountabilities, key governance issues, corporate mandate and core services, public policy issues, strategic priorities, and performance expectations. For more specific information please refer to the section on Alignment with Government's Strategic Direction.

ICBC's governance is also defined by an explicit organizational framework that sets out the roles and responsibilities of ICBC's Board of Directors and senior management.

Legislative Framework

As a Crown corporation, ICBC is subject to the *Budget Transparency & Accountability Act*, the *Financial Information Act*, the *Financial Administration Act*, and the *Freedom of Information and Protection of Privacy Act*. Under these provincial Acts, the company is accountable for making public its strategic plan (i.e., Service Plan) and performance against the plan (i.e., Annual Report). In addition, ICBC is required to provide financial and other information in accordance with the requirements of applicable legislation. In terms of providing Basic and Optional insurance and Non-insurance services on behalf of government, ICBC must adhere to a number of Acts, including:

- *Insurance (Motor Vehicle) Act*
- *Insurance Corporation Act*
- *Motor Vehicle Act*
- *Commercial Transport Act*
- *Motor Vehicle (All Terrain) Act*
- *Sales Tax Act (of BC)*

ICBC as a Regulated Crown Entity

In 2003, government passed the *Insurance Corporation Amendment Act*, which named the British Columbia Utilities Commission (BCUC) as the independent regulator for ICBC. In this role, the BCUC's mandate is to approve Basic insurance rates and ensure that ICBC's provision of service for its Basic product are adequate, efficient, just, and reasonable. As ICBC is the sole provider of Basic insurance, this new regulatory environment is important for BC, providing customers with an independent and transparent review of the Corporation's Basic insurance operations and an opportunity to be heard and involved in the review.

The Commission's initial phase of regulation of ICBC includes financial allocation between Basic and Optional insurance business, revenue requirements for Basic insurance, and Basic rate design. The first two elements have been reviewed. The process to review and assess the 2006 revenue requirement concluded in July 2006 with the BCUC decision that approved a 6.5% increase in Basic insurance rates. The focus in 2007 will be to address the third element, which is Basic rate design.

Rate design determines how insurance premiums for each policyholder are established and how insurance premiums are allocated to the different customer groups (e.g., those with good driving and claims histories, those with driving convictions and violations, etc.). While ICBC's revenue requirement application for Basic insurance rates determines how much total revenue ICBC requires from Basic insurance premiums to cover the costs of Basic insurance, Basic insurance rate design determines how much of that total revenue each customer group pays. ICBC's initial Basic insurance rate design application will be submitted in the spring of 2007 along with the 2007 revenue requirement application.

ICBC will continue to meet its accountability requirements so that it contributes to an open and transparent regulatory process for the setting of Basic insurance rates and meet the expectations of its customers.

ICBC Board Governance

The Board of Directors guides the Corporation in fulfilling its mandate, and sets the direction for ICBC. The Board and management approve the corporate vision, mission, values, and goals to guide the Corporation. The Board sets goals for corporate performance and these goals and associated objectives are the basis upon which accountability and performance are evaluated. Performance against these goals and objectives is reviewed and periodically revised when necessary.

As a Crown corporation, ICBC's board members are appointed by the Lieutenant Governor-in-Council. The Board of Directors consists of nine members with a broad range of experience and expertise. The individual members each play an important role and also contribute as committee members of the Board. Figure 2 on page 10 shows ICBC's Board of Directors, its committees, members and mandates, and the Board's guiding principles.

The governance processes and guidelines outlining how the Board will carry out its duties of stewardship and accountability are set out in the Board Governance Manual, which is updated annually by the Governance Committee. Information on Board members and Board policies is now available on ICBC's website, www.icbc.com.

In 2003, ICBC's Board of Directors approved the Corporate Risk Framework, which defined a corporate approach towards the effective assessment and management of significant risks. The framework considers both external and internal environments, and the risks and challenges associated with each. The objective of this framework has been to identify risks, raise awareness of those risks throughout the company, and to initiate further action to control significant risks. The framework is actively used by ICBC executives to monitor strategic risks and planned mitigation strategies. Executive management and the Audit Committee of the Board review key corporate risks and status of related mitigation strategies quarterly, and an update is provided to the Board of Directors. Key risks and issues facing ICBC are discussed later in this Plan.

Operating Subsidiaries

Surrey City Centre Mall Ltd. (SCCM) is ICBC's only active operating subsidiary. It is governed by a four person Board of Directors, made up of SCCM's President, the President of ICBC and two members of ICBC's Board of Directors. SCCM's Board meets quarterly with its senior management. In addition, the company provides ICBC with monthly financial and performance information.

Figure 2

Board Governance Structure

Board of Directors
Mandate: To foster the Corporation's short and long term success consistent with the Board's responsibilities to the people of British Columbia as represented by the Government of British Columbia.

Chair: T. Richard Turner
Members: Neil de Gelder, Alice Downing, Diane Fulton, Kenneth Martin, Susan Paish, Lisa Pankratz, Bob Quart, Terry Squire

Executive Team
Mandate: The primary role of the Executive Team is to lead the management of ICBC's business and affairs, and to lead the implementation of the plans and policies approved by the Board of Directors (the "Board") of ICBC.

President & CEO: Paul Taylor
Members: Donnie Wing, Senior Vice-President Insurance, Marketing and Underwriting; Geri Prior, Chief Financial Officer; Len Posyniak, Vice-President of Human Resources; Keith Stewart, Vice-President Information Services; Chief Operating Officer, currently vacant

Governance Committee
Purpose: To provide a focus on governance for ICBC and its subsidiaries that will enhance ICBC's performance.

Chair: Terry Squire
Members: Bob Quart, Neil de Gelder

Audit Committee
Purpose: To assist the Board in fulfilling its oversight responsibilities by reviewing: (i) financial information; (ii) systems of internal controls and risk management; and (iii) all audit processes.

Chair: Bob Quart
Members: Lisa Pankratz, Terry Squire

Investment Committee
Purpose: To recommend and review investment policy for both ICBC and any pension fund of which ICBC is an administrator.

Chair: Lisa Pankratz
Members: Diane Fulton, Kenneth Martin

Human Resources and Compensation Committee
Purpose: To assist the Board in fulfilling its obligations relating to human resource and compensation policies.

Chair: Susan Paish
Members: Alice Downing, Kenneth Martin

SCCM Board of Directors
Purpose: To manage the Surrey Central City Mall project in accordance with guidelines established b ICBC's Board of Directors.

Chair: T. Richard Turner
Members: Bob Quart, Paul Taylor, Paul Reilly

Board Governance Principles

The Board of Directors has adopted the guiding principles included in the provincial government's "Governance Framework for Crown Corporations" that provides an understanding of the roles and responsibilities for all parties that are part of the Crown corporation governance environment:

- Stewardship, Leadership and Effective Functioning of the Board
- Clarity of Roles and Responsibilities
- Openness, Trust and Transparency
- Service and Corporate Citizenship
- Accountability and Performance
- Value, Innovation and Continuous Improvement

Strategic Context

Industry and Competitive Context

Insurance is a complex business affected by external trends, factors, and risks. Understanding these trends and factors, and their implications for ICBC, is an integral part of planning. These external forces can present both significant opportunities and risks for the company, and hence, heighten the importance of planning to capitalize on the opportunities and mitigate risks.

Profitability of Canadian Property and Casualty Insurance Industry

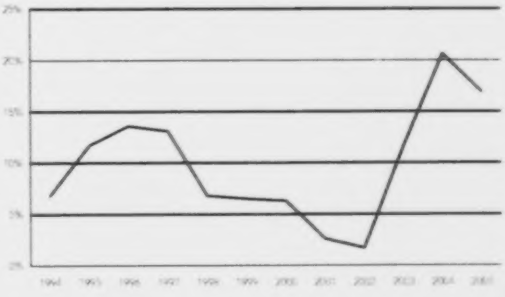
Based on early market indications for 2006, profits will continue to be favorable for the property and casualty (P&C) market. Although returns have come down since 2004, the industry has been able to recoup its losses in the past three years and 2006 will likely yield another year of above long-term average returns of 10%.[3]

According to 2006 third quarter data from the Office of the Superintendent of Financial Institutions (OSFI), net income for the industry has increased by 7.8% over the same period last year.[4] This has been led by gains in investment income.

The P&C market has been successful moving from a hard market to a stable and profitable environment. Loss ratios for all lines, with the exception of auto, are at an all-time low and continue on a downward trend. Direct premiums written for third quarter 2006 have increased 6.3% as compared to the first nine months of last year.[5]

Three consecutive years of profitability have contributed to the financial strength of the industry. Excess capital is estimated to be between $4.7 and $6.7 billion.[6] Given the levels of capital and reinsurance coverage, the industry was able to weather the spike in natural catastrophes and man-made disasters through 2005, which triggered claims of about $1 billion.[7]

Canadian P&C Insurance Industry (Average Return on Equity)



Source: Insurance Bureau of Canada Data (1994-2004) and MSA Researcher (2005)

Automobile Insurance

According to 2005 data, the automobile line constitutes approximately 48% of direct premiums written for the Canadian P&C insurance business, making it the largest line in the industry.[8]

Between 2000 and 2003, customers were seeing double-digit rate increases. At the same time, the residual market (also known as the "shared market"), consisting of consumers unable to purchase automobile insurance through the voluntary market, was at record highs. For example, in 2003, the residual market in Ontario was at 3.5% of the market, based on vehicle count.[9]

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[3] TD Newcrest Report on Canadian P&C, April 22, 2005
[4] Office of the Superintendent of Financial Institutions 2006
[5] Ibid
[6] MSA/Baron 2005 Q2 Report
[7] Canadian Underwriter 2006 Statistical Issue, "The Pendulum Swings Again"
[8] Canadian Underwriter 2006 Statistical Issue (DPW for Auto Lines = $13.4b. Total DPW for Can. P&C = $28.2b)
[9] Facility Association – Profile for Ontario: accessed: http//facilityassociation.com

In the past 36 months, most Canadian jurisdictions with private insurance systems introduced a series of unprecedented reforms and price controls. These regulatory reforms have addressed the issues of affordability and accessibility for customers, stabilizing the market. There are early indicators of a softening market as rates continue to fall. For example, based on Insurance Bureau of Canada information, Ontario, representing just under 50% of auto premiums written in Canada,[10] has seen a decrease in average rates of approximately 5% in 2005.[11] The residual market in Ontario also decreased to 0.6% of the market in 2005.[12]

In addition, claims frequencies have declined to an all-time low in the past few years. Part of this decline was fuelled by customer fears of making claims and the resulting impact on their premiums and possibility of policy cancellation.[13] As the market continues to soften and insurers begin to compete on coverage "giveaways" like first-accident forgiveness or waived deductibles, there may be notable increases in claims.[14]

Regulatory Trends

From today's vantage point, it is clear that the numerous regulatory reforms across Canada have been successful in curbing the double-digit rate increases experienced in 2003. However, it is still uncertain what the long-term impact of the reforms will yield. Analysis seems to indicate that the experience immediately following a period of major reform is the lowest loss cost point. But as the reforms set in, there is gradual erosion in the efficacy of the reforms to control loss costs. Looking across the country, some highlights of the impact of the reforms include the following:

- In the Atlantic Provinces, New Brunswick and Nova Scotia both introduced a $2,500 cap, whereas Newfoundland and Labrador introduced a $2,500 deductible on non-economic damages for minor injuries. The cap on non-economic losses for minor injuries has had a marked impact on bodily injury loss costs. New Brunswick seems to have benefited from this reform more than Nova Scotia because of a stronger threshold ("permanent and serious") for what is required for an injury to be considered non-minor. The deductible has had no noticeable impact.[15]
- In Ontario, which represents 47.9% of the auto insurance market in Canada,[16] there has been a succession of regulatory reforms, beginning in the early 1990s. The most recent reforms, implemented in 2003, seem to have decreased the absolute loss costs per vehicle. However, after an initial decline, bodily injury costs and medical rehabilitation accident benefits increased in 2005.
- Alberta, which represents 13.1%[17] of the auto insurance market in Canada, has introduced a $4,000 cap on pain and suffering for minor injuries, as well as a maximum rate grid which sets the highest premium that can be charged for high-risk drivers. Since the introduction of the grid rate in October 2004, it is estimated that the average premium for these risks has dropped 34%.[18] However, there is uncertainty around the sustainability of Alberta's system given the size of the grid pool.[19]

Another regulatory issue that has been at the forefront of the industry has been whether the Bank Act would be changed to allow banks to sell, provide information about, or make referrals concerning insurance products from their branches. This round of reviews will not be completed until April 2007[20]; however, early indications suggest that the government does not have plans to change legislation to permit banks to sell insurance through their branches.[21]

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[10] MSA Researcher based on 2005 Auto Direct Premiums Written
[11] Canadian Underwriter 2006 Statistical Issue
[12] Facility Association – Profile for Ontario: accessed: http//facilityassociation.com
[13] Canadian Underwriter 2006 Statistical Issue, "The Pendulum Swings Again"
[14] Ibid
[15] MSA / Baron Outlook Report Q1 – 2006
[16] MSA Researcher based on 2005 Auto Direct Premiums Written
[17] Ibid
[18] MSA / Baron Outlook Report Q1 – 2006
[19] Ibid
[20] Canadian Underwriter, October 2006, "Checkmate for Brokers"

On the insurer-intermediary front, recent reviews have looked at financial ties, ownership relationships, contingent commissions, and other incentives and how they may impact the independence of the broker channel. The Industry Practices Review Committee's (IPRC) consultation paper, released in early 2006, has highlighted that regulators need to encourage greater transparency around perceived or actual conflicts of interest. However, there is no indication, at this time, that there will be any mandated regulatory changes.

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[21] Thompson's Daily Insurance News, October 20, 2006, "Ontario Brokers Convention – 4"

Key Strategic Issues/Risks

Looking ahead to 2007 – 2009, ICBC has identified a number of issues and risks that could impact ICBC's future performance.

BCUC Regulatory Process

BCUC provides regulatory oversight of Basic insurance rates and service and ensures that costs are appropriately allocated between ICBC's Basic and Optional insurance businesses. ICBC supports this process as part of an open and transparent regulatory process for the setting of Basic insurance rates.

ICBC came under the Commission's jurisdiction in 2003. The Commission's initial phase of regulation of ICBC includes financial allocation between the Basic and Optional insurance businesses, and revenue requirements for Basic insurance. The focus in 2007 will be to address Basic rate design. The regulatory process for this is expected to begin in the spring of 2007. The results of the hearing may affect customers across the province with respect to how their Basic insurance premiums will be set.

Need for Reinvestment & Evolution of Service Delivery

Like any business, ICBC needs to examine and renew the business capabilities of its workforce, systems and processes to make improvements in its customer service and efficiency. ICBC reinvests prudently to position the company for the future as business needs evolve and workforce demographics and labour markets change. The highly competitive nature of the BC labour market is a concern for ICBC because it is driving up compensation and threatening our ability to attract and retain talent. This is particularly problematic in certain job categories. We will focus our investments in our people in areas where the need is greatest to appropriately develop and support the business.

ICBC will also be continuing to develop its capital planning framework to ensure capital spending aligns with the corporate strategy and positions the company to meet customers' needs in 2007 and beyond.

Competition in the Optional Insurance Market

As indicated earlier, the Canadian P&C insurance industry has been experiencing strong profitability resulting from robust market conditions. This may spur more competition as insurers seek to invest excess capital and expand market share.

Based on direct premiums written, the auto insurance market in BC has been growing at an average rate of 6% over the past five years.[22] The optional auto insurance market, which represents about half of the BC auto market, has also been growing.

In 2003, the government passed legislation to create a common regulatory framework for both private insurers and ICBC in the optional insurance market. The legislation and regulations will go into effect on June 1, 2007. This will require ICBC to provide an Optional policy contract to customers at the point of sale. ICBC is also required to participate in data sharing of aggregate optional insurance statistical information amongst all competing providers in BC.

Investment Market

Like all insurers, ICBC investment assets arise from funds set aside for unpaid claims, unearned premiums and retained earnings. In holding such assets, investment income is earned and contributes to the company's overall net income, thereby helping to keep rates competitive and stable. This income is affected by the overall condition of the general investment market.

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[22] MSA Researcher average change in DPW for auto in BC between 2000 and 2005

The investment market outlook for 2007 indicates that interest rates will remain at current levels, with the Canadian dollar weakening marginally against the US dollar. With more than half of ICBC's portfolio invested in fixed income assets, the investment portfolio is vulnerable to rising interest rates. The equity markets are expected to yield fairly modest returns in the single digit range. Changing world events or a possible down-turn in the US economy may affect equity returns.

Automobile Crashes and Crime

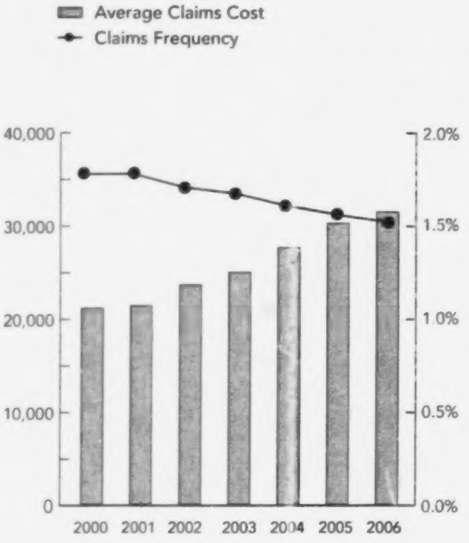
Automobile-related crashes and crime present a significant social and economic cost to all British Columbians. As vehicle population grows and the urban density of many BC communities increases, the risk of automobile crashes rises. Vehicle population is projected to grow by 2.5% in 2007.

Preliminary data for 2006 shows a slight (less than 2%) increase in the crash rate per 10,000 vehicles insured over 2005. Further analysis is required, but this increase in the crash rate may be linked to the erratic weather in 2006. The subset of more serious crashes reflected in the 2006 injured participant rate, which measures the number of people injured per 10,000 vehicles insured, shows a slight decrease (under 1%) from 2005. These steady trends for both the crash rate and the injured participant rate are consistent with levels from the past several years, and continue to remain significantly below the historical level.

High-risk drivers are a serious concern as they cause a disproportionate number of crashes and these crashes are very costly. There were more than 100 traffic fatalities caused by impaired driving in 2005, and more than 200 fatalities caused by high-risk driving behaviours, such as excessive speed and ignoring traffic signals. ICBC is evaluating the impact of poor driving performance and rates paid by these drivers. Preliminary research indicates that 18.3% of drivers in the province have had demerit points in the last 3 years. This subset of drivers has caused crashes resulting in payouts in excess of $1 billion, which represents 51% of our liability payouts.

Although frequency[23] trends are still declining, ICBC analysis shows that the average cost of settling a claim (ultimate severity) has increased. From 2000 to 2006, bodily injury claims frequency declined by 17.2% while the average cost of a bodily injury (BI) claim increased by 48.8%.

BI Claims, 2000 – 2006
as of December 31, 2006



Data Source: Actuarial Department

During the same period, the average cost of material damage claims also increased due to higher vehicle repair costs and a newer fleet of vehicles being insured, but this has leveled out over the past three years. In 2007, material damage (MD) costs are forecast to increase by 3.5%. ICBC is actively addressing the increase in claims costs through claims-handling improvements and crash prevention programs.

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[23] The number of claims per average number of policy in force during the year

Auto crime is a problem that impacts insurance costs for all British Columbians. It continues to be an area of focus for ICBC even though annual trends now see rates declining from 560 incidents per 10,000 actively licensed vehicles in 2002 to 326 in 2006. Over the past year, the favourable trend has continued, with a 12.6% decline. This improved trend is largely the result of a concentrated focus on auto crime prevention by the police, ICBC, and community stakeholders. Programs include Bait Car, targeted auto crime enforcement programs, public awareness campaigns, and community initiatives such as increased security patrols and the Stolen Auto Recovery program.

Long Term Financial Strength of ICBC

Fiscal strength and stability continues to be a key focus for the Corporation. At the time the minimum regulatory capital targets were set for the Corporation by the Government's Special Direction IC2, ICBC was well below the regulatory targets for the total corporation. The company is working towards appropriate capital levels commensurate with risks within our business. Over the past several years, the Corporation has made significant strides in building its capital levels.

However, new challenges have arisen in the form of increased bodily injury costs. Financial results for 2006 continue to indicate higher claims costs, particularly in bodily injury claims. The increase in claims costs affects corporate financial performance as well as the requirement for future rate increases to cover the increasing costs.

Implementing strategies to address growing bodily injury costs will be one of the top priorities for the company. In addition, ICBC is taking a disciplined approach to managing operating costs, meaning that ICBC will work to keep its operating expenses at or below inflation through 2007 while still ensuring that necessary reinvestment in the business continues to move forward.

Other Risks

ICBC's risk management framework has identified potential corporate level risks that are actively monitored and mitigated. The framework considers both external and internal environments and risks and challenges associated with each. Among other factors, capacity and resources are an essential consideration in the development of mitigating strategies. Key risks and their mitigation strategies are listed in the tables on the following pages.

Business Risks and Risk Management

Claims Costs

Description of Sensitivities / Risks:

- Increased fraud, severity, frequency and/or litigation of claims results in higher costs.
- Bodily injury claims costs are rising resulting in a significant impact to claims costs and Basic rates.
- Claims costs account for approximately 75% of ICBC's total expenditures. A 1% fluctuation in claims incurred represents a $25-$30 million change in net income, and a 1% fluctuation in the unpaid claims balance represents an approximately $51-$60 million change in claims costs.

Mitigation Strategies:

- ICBC uses a number of strategies to minimize the impact of rising claims costs including road safety and loss management activities aimed at reducing crashes, preventing injuries and reducing auto crime. Ongoing monitoring of claims trends and implementation of cost control initiatives are also undertaken. ICBC is focused on implementing short to mid-term strategies aimed at controlling bodily injury claims costs. ICBC also works closely with its many partners in industry to address these cost pressures on an ongoing basis.

Access to Personal Information

Description of Sensitivities / Risks:

- As part of both insurance and Non-insurance businesses, ICBC maintains a significant amount of personal information regarding its customers, and deals with business partners and customers over the internet. Access to this information must be carefully managed and measures must be in place to guard against unauthorized access to this data.

Mitigation Strategies:

- ICBC's Information Security and Private Policy Steering Committee provides governance over policies established to ensure the collection, use and disclosure for personal information.
- ICBC has undertaken a significant awareness campaign within the company, as well as with our business partners, to educate them on the importance of understanding our customer's personal privacy.

Financial Markets

Description of Sensitivities / Risks:

- ICBC manages an investment fund of approximately $7.7 billion in order to partially offset future claims costs. A 1% fluctuation in return means a $77-$94 million change in investment income.

Mitigation Strategies:

- ICBC's investment policy addresses the Corporation's risk tolerance and investment goals, and specifies a long-term investment asset mix and fixed income duration consistent with these objectives. The policy, which is established by the Investment Committee and approved by the Board of Directors, is based on prudence and regulatory requirements, and provides guidelines for balancing the level of risk and return in ICBC's investment portfolio.
- ICBC follows a long term strategy and diversifies its investment holdings to manage return fluctuations.

Business Interruption

Description of Sensitivities / Risks:

- Business interruption arising from labour disputes, technology issues or natural disasters can potentially disrupt service levels for insurance, driver, and claims services.

Mitigation Strategies:

- ICBC and its bargaining unit employees negotiated a long-term collective agreement (July 1, 2006 to June 30, 2010).
- Business Continuity Management program continues to integrate the plan within the business areas to enable the Corporation to provide critical services in the event of such an occurrence. In addition, back-up copies of data are moved to off-site storage and regular testing of critical system recovery through a remote site is completed.
- A high level pandemic influenza plan has been drafted and a review of applicable human resource policies, with triggers established for ICBC action, has been completed based on World Health Organization definitions of pandemic alert.

Customer Support

Description of Sensitivities / Risks:	Mitigation Strategies:
• ICBC's focus on customers is a key goal of the corporate strategy. Changes in service delivery, product pricing or design, ICBC programs, and evolving customer needs impact customer satisfaction.	• ICBC monitors customer service performance by measuring the percentage of satisfied customers for each major transaction type — insurance services, driver services, and claims services. • ICBC communicates with the public and stakeholder groups to raise awareness and inform the public of ICBC's products and the unique value received. • Policies and procedures have been implemented to support the Corporation's commitment to fairness in all its dealings with customers, including a FairClaim process to provide customers with additional information about decision making and financial impacts in the claims process. • Review of product offering against customer needs is done, as well as a focus on pricing to ensure stable and competitive prices.

Catastrophic Loss

Description of Sensitivities / Risks:	Mitigation Strategies:
• Protection against catastrophic loss from an earthquake or other major event is a concern.	• In the event of losses resulting from catastrophes such as an earthquake, ICBC has financial protection through a reinsurance policy that is reviewed and renewed annually. Losses experienced in excess of a specified amount will be covered by the reinsurance policy up to the policy limits. • In addition to protection against individual catastrophic events, the reinsurance agreement protects the Corporation against abnormally large losses by limiting the amount for which the Corporation is liable in any single year.

Workforce Planning

Description of Sensitivities / Risks:	Mitigation Strategies:
• Retention of corporate talent and planning for replacement of key positions are essential in meeting current and future business needs. This is a particular challenge given the competitiveness of the BC Labor market. Lack of succession planning can result in the loss of skills and knowledge that enable the achievement of corporate goals and objectives.	• ICBC's human capital plan is focused on a multi-pronged approach of recruitment, compensation, training and leadership development to attract, develop, and retain talent for the future.

Reputation

Description of Sensitivities / Risks:	Mitigation Strategies:
• On behalf of the provincial government, ICBC is the sole provider of driver licenses in British Columbia. If a license is fraudulently obtained it could result in public safety or identity-fraud issues.	• This risk is mitigated by existing operational processes, which include updated licensing fraud precautions implemented in 2005.

Corporate Strategy

Since late 2002, ICBC's vision of "being the leading insurance company in all aspects of its business, operating competitively and valued by its customers", focused the company to achieve significant success. Specifically, the vision guided the company to:

- restore its financial strength and make inroads into becoming more performance-oriented;
- make strides in better meeting the needs of customers and brokers;
- reduce its optional pricing;
- implement the new regulatory framework for ICBC that was introduced by government in 2003;
- settle a long-term collective agreement; and
- establish performance-based agreements with key suppliers such as the auto repair industry.

The sum of these achievements contributes to the strength of the company today.

Our success to date, and changes in the environment (as reviewed in the previous section), set the stage for a review of ICBC's corporate strategy in 2006. A planning exercise involving senior management and the Board determined that a number of elements of the strategy needed to be revised.

The revised strategy represents an evolution of our business. Some elements of our plan advance current strategies, while others propose a more distinct directional shift, responding to changes we see, and expect to see, in our market.

In updating the company's strategy, our objectives were to:

- incorporate the results of customer research and articulate the focus on customers more strongly;
- simplify the goals and objectives to make it more understandable and relevant to managers and staff; and
- increase alignment of plans, measures and activities to reinforce stronger performance accountability.

On the following pages you will see that ICBC has narrowed the focus of the vision, tightened the language of our mission so that it better aligns to the vision, reworked the goals and redrafted the objectives to better articulate our priorities over the next few years.

Vision

ICBC will be BC's preferred auto insurer, providing protection and peace of mind.

Mission

We deliver quality auto insurance products and services at competitive prices through a knowledgeable team committed to our customers.

Values[24]

Integrity

We value people by treating others with respect and dignity. We are honest by representing our intentions and ourselves truthfully. We will be accountable for our performance and ensure decisions made are supportable.

Commitment

We demonstrate commitment as employees by doing our best work at all times. ICBC leadership demonstrates commitment to employees by creating a work environment that supports employees in making their best contribution for the benefit of the customer. We are committed to operating in a cost-effective manner and will continue to seek ways to improve efficiency.

Dedication to the Customer

We measure our success by our customers' belief that ICBC products and services provide good value for their money. We provide excellent customer service by approaching every customer interaction as an opportunity to create a positive customer experience.

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[24] ICBC's values have not changed. An exercise will be conducted in 2007 to review the values

Strategic Goals, Objectives, Strategies and Performance Measures

ICBC's vision is to be "BC's preferred auto insurer, providing protection and peace of mind".

The achievement of the vision is articulated through a strategy that has four corporate goals:

- Customer Focus
- Financial Responsibility
- High Performing, Engaged and Capable People
- Operational Excellence

Within this strategic framework ICBC sets corporate objectives and priorities, and develops business plans. For each goal, specific objectives are established to guide the Corporation. Measures are defined and targets are set to enable performance to be measured for these goals and objectives.

ICBC has revised its corporate goals. Most of the changes are refinements to previous language used to describe each corporate goal. Two changes, however, are more significant.

Being competitive is no longer set apart as a distinct corporate goal, and is now present across ICBC's entire strategy. Achievement of each goal and related objectives ensures we are BC's preferred auto insurer.

The other key change is the introduction of "Operational Excellence" as a corporate goal. This highlights our commitment to sustaining a competitive business by focusing system investments, simplifying and enhancing business processes, and building competitive capabilities in key areas of business need.

The four goals are the foundation of ICBC's performance environment. Having clear strategic direction helps the company set priorities, making certain that efforts across the company are aligned and focused on the same result.

The measures selected to assess ICBC's performance are both financial and non-financial. Where possible, the company uses standard industry measures that enable benchmarking with other insurers. In other cases, because ICBC's business model is relatively unique among P&C insurers, ICBC develops distinctive measures relevant to the area of effort.

Planning at ICBC is a continuous activity. Throughout the year, the Board and management systematically review corporate direction against strategic issues facing the company as part of ongoing risk management processes, and adjust priorities accordingly.

Customer Focus

Providing customers with quality insurance products and services at competitive prices is an ongoing priority for ICBC. We continue to work to understand the diverse needs of British Columbians through research and customer feedback.

Moving forward, the goal of "Customer Focus" reflects this customer research by providing a clearer definition of the key value attributes and experience that ICBC needs to be delivering to customers. It speaks to building a relationship of trust with customers that is based on providing exceptional value, hassle-free claims service, and ease of doing business.

The importance of tailoring products to different customer needs and the role that brokers play in that process is also underscored by a separate objective.

Having "Customer Focus" as a goal for ICBC ultimately speaks to delivering exceptional value, peace of mind, and competitive pricing for both its Basic and Optional products and driver services.

Some examples of how we do this include:

- providing claims services 24 hours-a-day, 7 days-a-week, where customers can speak to a customer service representative;
- improving customer service by opening earlier and closing later at key claims centres and Driver Services centres;
- enhancing ICBC's Replacement Cost Coverage to provide a full three years of depreciation protection in the event of a claim for owners of new vehicles.

Our Loss Prevention programs and Driver Licensing initiatives are all part of how ICBC provides peace of mind and competitive prices for customers. Investing in making roads safer for all British Columbians, educating drivers and promoting safe driving help to reduce the number of crashes that occur every year and thereby minimize pressure for price increases.

ICBC will work throughout 2007 – 2009 to create a more integrated customer experience, to strengthen our underwriting ability, and to improve customer satisfaction and retention with ICBC by working with our broker partners and service providers.

Objectives

Be an auto insurance company our customers trust to:

- deliver exceptional value, including competitive and stable prices
- provide hassle-free claims service
- be easy to deal with in all aspects of our business

Provide customers with the ICBC product that best matches their needs in partnership with independent brokers

Strategies

- Strengthen our underwriting ability
- Create an integrated customer experience around all major touch points, focusing on value attributes important to customers

Performance Measures

Measuring customer service performance at ICBC is based on the percentage of satisfied customers. A separate measure is used for each major transaction type — insurance product purchase, driver service and licensing, and claims. The design of ICBC's measures and targets reflects the inherent differences of these key transactions.

An independent research firm is retained to conduct ongoing surveys of customers for the purposes of monitoring satisfaction.

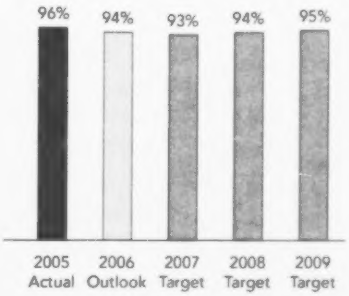
Insurance Services Satisfaction

Independent insurance brokers process approximately three million policies each year. This measure represents the percentage of customers satisfied with a recent ICBC insurance transaction and is based on quarterly surveys of over 1,000 customers over the course of a year. The measure is typically over 90% and indicates the positive relationship ICBC and its brokers enjoy with customers.

Based on the interim results of the first three quarters, the 2006 outlook is at 94%. This is a slight decrease from 2005, but still represents a high level of customer satisfaction with the Autoplan transaction at brokers' offices. As ICBC has not introduced significant changes in 2006, the company will continue to monitor this trend closely. The 2007 and 2008 targets indicate a decrease from 2005 as a result of the proposed legislative changes requiring a separate Optional policy contract. The separate contract will be a change for ICBC and its customers and an important step in increasing consumer awareness of both the product and the availability of choice. It may, however, initially increase the time it takes to complete an insurance transaction.

With "time" as one of eight factors used in rating customer satisfaction, an increase in transaction time may adversely impact satisfaction scores in the short-term. ICBC will carefully manage the implementation in partnership with brokers to ensure customers get the right information at the right time in ways that ensure a continued positive experience. For this reason, we expect the measure to return to historical satisfaction trends in 2009.

Insurance Services Satisfaction

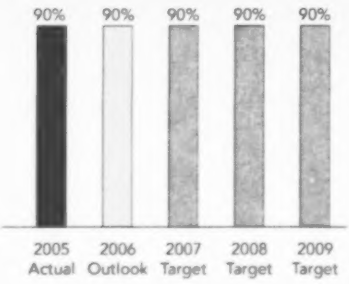


Driver Services Satisfaction

Each year, ICBC conducts over 1.3 million transactions relating to the issuance of driver licenses and driver exams. This measure represents the percentage of customers satisfied with their driver licensing transaction with ICBC, which includes renewing a license, taking a knowledge test, or undergoing a road test. The measure is weighted by the number of transactions for each type of service and is drawn from a sample of approximately 4,000 customers surveyed throughout the year.

The 2006 outlook is in-line with the targets previously reported. The 2007 – 2009 targets are consistent with the 2006 outlook.

Driver Services Satisfaction

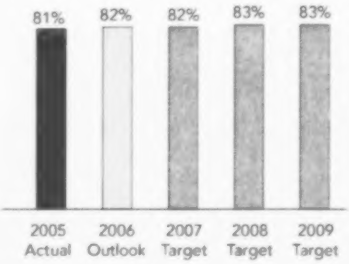


Claims Services Satisfaction

Almost one million claims are processed each year through the telephone claims and claim centres throughout the province. This measure represents the percentage of customers satisfied with a recent ICBC claims transaction and is drawn from a sample of approximately 7,500 customers surveyed throughout the year.

The 2006 outlook is positive and it is expected that we will achieve our target of 82%. However, given the complexity of the claims service and the anticipated organizational and product changes over the next few years, a decision has been made to slightly flatten the 2007 – 2009 targets to more realistically represent the current trends and outlooks. We will continue to work to increase the satisfaction score in 2008 and 2009.

Claims Services Satisfaction



Financial Responsibility

ICBC's strong financial performance over the past several years has provided a solid foundation for the future. The revised financial objective reflects a well-rounded view of the company's approach to achieving financial strength.

The key elements of maintaining ICBC's financial strength will be managing our revenue stream, reducing the growth in claims costs, continuing our disciplined approach to managing operating costs, and maximizing the return on our investments. Successful delivery of these key elements will build capital levels that enable ICBC to provide competitive and stable rates for our customers.

Managing our revenue stream involves appropriate pricing, which relates to ICBC's "Customer Focus" goal. Meeting our customers' needs by delivering exceptional value, including competitive and stable pricing, as well as working with the independent brokers to provide the products our customers need, are key to ICBC meeting its forecasted revenues.

Our most significant challenge moving forward is the growth in claims costs, particularly bodily injury claims. Key areas of focus to address claims cost growth during the next three years include claims handling improvements, targeted crash prevention programs, and product and underwriting refinements.

Claims handling improvements consist of ensuring claims are managed in a manner that takes into account risk and complexity while ensuring a more timely approach. We are also enhancing our analytical and reporting capabilities.

For targeted crash prevention programs, ICBC will continue to partner with the Ministry of Public Safety and Solicitor General and Ministry of Transportation to enhance traffic law enforcement on BC roads and deliver programs that address high-risk drivers.

High-risk drivers are a serious concern and cost exposure for ICBC. Our underwriting refinements will also aim to influence driver behaviour in order to reduce the loss experience of this segment of our customers.

In addition, ICBC is taking a disciplined approach to managing operating costs, meaning that ICBC will work to keep its operating expenses at or below inflation through 2007 while making necessary reinvestments in our business.

Lastly, income from investments contributes to ICBC's financial strength and reduces premiums otherwise payable by our customers. While prudent investment objectives will continue to be implemented, the return on our portfolio of investments is determined in large part by market forces outside of our control.

Objectives

Achieve financial strength through:

- appropriate pricing
- reducing the growth in claims costs
- a disciplined approach to managing operating costs
- maximizing investment returns based on acceptable risk

Strategies

- Reduce the growth of bodily injury claims with claims handling improvements, targeted crash prevention programs, and product and underwriting refinements

Performance Measures

In October 2006, ICBC's Board of Directors approved changes to the company's public corporate performance measures. The Claims Efficiency Ratio will be discontinued for the purposes of the Service Plan and will be replaced by the measures developed for the newly introduced corporate goal of "Operational Excellence". The new measures will be used to evaluate overall corporate efficiency of the company's two areas of operations, Insurance and Driver Services.

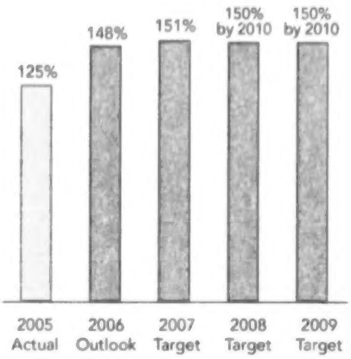
Minimum Capital Test (MCT)

MCT is an industry measure set by the Office of the Superintendent of Financial Institutions (OSFI) for federally regulated insurance companies across Canada and is used to determine whether a company has sufficient capital levels to protect policyholders from financial risk and provide long term financial stability.

ICBC's 2006 Outlook for MCT is 23 percentage points higher than 2005 due to higher net income which resulted in higher capital available over capital required.

The target for 2007 is 151%.[23] Over the next few years, it is ICBC's objective to maintain a minimum capital level of 150% by 2010 to meet the Corporation's capital management plan target.

Minimum Capital Test (MCT)



Source: ICBC Financial Systems

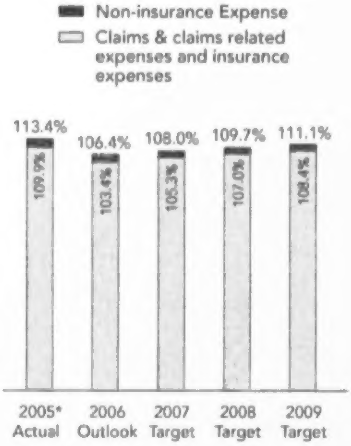
Combined Ratio

The combined ratio is a key measure of overall profitability within the insurance industry. This measure is calculated as the ratio of costs (claims costs, claims related costs, administrative costs, acquisition costs and non-insurance costs) to insurance premium dollars earned. A ratio below 100% indicates an underwriting profit while a ratio above 100% indicates an underwriting loss.

The 2006 outlook for the combined ratio is better than the 2005 results primarily due to higher than planned premiums earned and lower acquisition costs as a result of a positive adjustment to deferred premium acquisition costs (DPAC). In 2006, the DPAC adjustment accounted for a 2.7% reduction in the combined ratio.

The targets for 2007 – 2009 are higher than the 2006 outlook and reflect current expectations regarding claims cost trends. Targets for 2007 – 2009 do not include any adjustment to DPAC as any adjustment for future years cannot be determined at this time.

Combined Ratio



Source: ICBC Financial Systems

*Certain figures have been reclassified to conform to the current year's presentation.

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[23] The 2007 MCT result may be impacted by OSFI's changes to the MCT calculation to incorporate the new Financial Instrument Accounting Standards which will be incorporated in the first quarter 2007 reporting.

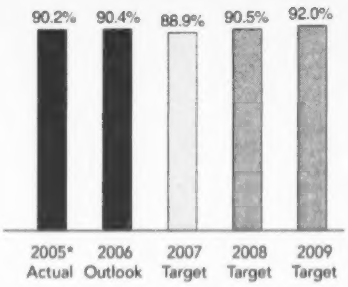
Loss Ratio

This is a key performance indicator within the insurance industry measuring profitability of the insurance product — the lower the percentage, the more profitable the product. This measure is calculated as the ratio of the total of claims costs and claims related costs, including loss management and road safety costs, to insurance premium dollars earned.

The 2006 outlook for loss ratio is higher than 2005 results largely due to higher prior years' claims adjustments.

The 2007 – 2009 forecasts are based on the 2006 outlook. The targets from 2007 to 2009 are expected to increase, reflecting an increase in claims trends primarily from rising claims severities.

Loss Ratio



Source: ICBC Financial Systems

*Certain figures have been reclassified to conform to the current year's presentation.

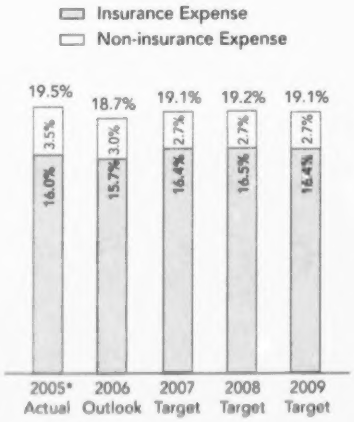
Expense Ratio

The expense ratio is a standard industry measure for assessing a firm's operational efficiency. This measure is calculated as the ratio of non-claims costs to insurance premium dollars earned. It includes operating costs that are not directly related to servicing claims such as general administration, commissions paid to brokers, taxes paid on premiums written, product design (underwriting), and Non-insurance costs such as those associated with driver and vehicle licensing and vehicle registration. To enable comparisons with industry benchmarks, the expense ratio excludes the impact of one-time non-recurring items.

The expense ratio consists of two key components: the insurance expense ratio and the Non-insurance expense ratio. Segregating expenses in this manner allows ICBC to better manage the costs of operating its insurance and Non-insurance business, and more accurately reflects the distinct nature of ICBC's operating model relative to other automobile insurers.

The overall P&C industry expense ratio for 2005 was approximately 28.1%,[26] of which auto insurance is a major component. ICBC believes that the automobile insurance expense ratio for the industry would be lower than the overall P&C expense ratio and that ICBC's expense ratio is lower than the industry average due to its ability to achieve economies of scale, the benefits of integrated operations, and lower marketing, underwriting and general administration costs.

Expense Ratio



Source: ICBC Financial Systems

*Certain figures have been reclassified to conform to the current year's presentation.

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[26] MSA Researcher based on 2005 data.

The 2006 outlook for the expense ratio is lower than 2005 because of higher premiums earned and lower administrative expense. Non-insurance costs are also lower with the funding of commercial vehicle compliance which ended on March 31, 2006. The 2007 – 2009 targets demonstrate ICBC's continued commitment to controlling operating costs.

As part of its operations, ICBC incurs Non-insurance expenses in providing driver licensing, vehicle registration and licensing, and government fine collection. The Non-insurance expense ratio represents the ratio of the operations and administration costs of ICBC's Non-insurance business to insurance premium dollars earned. Managing these costs closely ensures ICBC remains an efficient provider of these services on behalf of government. The targets established are consistent with the 2006 outlook but lower than the historical trend. This reduction reflects the March 31, 2006, expiration of ICBC's payment to government for the commercial vehicle compliance functions ($6.2 million in 2006).

Investment Return

ICBC's investment portfolio was $7.7 billion at December 31, 2006. The portfolio, which is conservatively invested with the majority of assets held in investment grade bonds, is held to cover future claims payments and is used to reduce the premiums that we would otherwise need to collect from our policyholders. Investment returns, which incorporate both change in market value of assets and income generated, are closely monitored. Individual asset class returns are measured relative to the performance of standard industry benchmarks.

As well, the return of the overall portfolio is measured against a policy benchmark, calculated as the average of individual asset class benchmark returns, weighted according to the portfolio's strategic asset mix. Asset class benchmarks and strategic asset mix are outlined in the ICBC Statement of Investment Policy and Procedures, which is set by the ICBC Board of Directors.

The 2007 – 2009 investment portfolio performance targets are projected to outperform the policy benchmark as described in the ICBC Statement of Investment Policy and Procedures, by 0.268%. For performance measurement purposes, ICBC does not forecast the benchmark return as it is the result of market forces beyond the company's control. In managing the portfolio, ICBC remains vulnerable to rising interest rates, deterioration in equity markets, and currency fluctuations. These risks, which are not unique to ICBC, are proactively managed.

An external performance measurement service independently calculates returns at the portfolio, asset class and investment manager levels. The measurement service then benchmarks ICBC returns against market indices and against a universe of managers running similar investment mandates.

High Performing, Engaged and Capable People

Positioning ICBC to be BC's preferred auto insurer hinges on the performance of its employees. That's because ICBC relies on the expertise of its people to deliver value to customers and maintain the company's financial health. From underwriting to claims, road safety to broker relations, licensing to IT systems support, ICBC personnel support a highly technical and specialized business.

To deliver on its vision, the company needs to focus its investments in people in those areas where the business needs it most. As part of the process to update the company's strategy in 2006, ICBC conducted a thorough examination of its people strategies. The result is a comprehensive three-year plan (2007 – 2009) that targets four areas, reflecting ICBC's direction in the next three years and the workforce impacts that will arise from making business changes to support that direction.

Board of Directors	Better understanding the work of key job levels. Understanding the knowledge, competencies, experience, and personal attributes that will most likely lead to success in these levels. Better understand key work processes.
Leadership Culture	Define the attributes of culture that will best facilitate our business success, and decide on the mechanisms for change.
Talent Management *(Talent Development & Talent Measurement)*	Enhance the capability of supervisory managers to create a high performance, engaging business culture. Enhance the capability of our staff to maximize their effectiveness at work.
Talent Acquisition *(Recruitment & Selection)*	Attracting, selecting, and retaining employees with the necessary capabilities and mindsets.

The ultimate goal is to continue to develop and maintain a workforce that is high-performing, engaged, and capable.

Objectives

Create a performance-driven company by:

- developing our people
- strengthening our leadership capability
- improving employee accountability for delivering results

Strategies

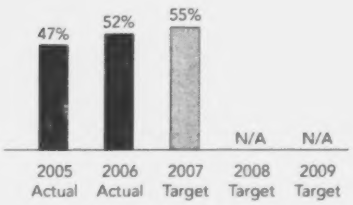
- Position ICBC's workforce to effectively support business strategy by improving leadership capability and talent management processes and outcomes

Performance Measures

Employee Engagement Index

ICBC's goal of High Performing, Engaged and Capable people is currently measured exclusively on the basis of the annual Employee Engagement Index against target. In updating the corporate strategy, it was determined that as a single snapshot of employee opinion, the index is, in isolation, considered to be an insufficient measure for this goal. Work is underway to develop a more comprehensive measure or index of employee performance, engagement and capability for 2008. In the mean time, based upon trends to date, an annual Employee Engagement Index target of 55% was established for 2007.

Employee Engagement Index



Source: Surveys conducted by independent firm

Operational Excellence

The introduction of "Operational Excellence" as a corporate goal signals a continuation of our efforts to excel in operational effectiveness and efficiency. This concept was embedded as an objective in the "Revenue Driven & Fiscally Responsible" goal in the previous framework. When the original strategy was developed in 2002, ICBC focused on the immediate needs of financial stability, dealing with the role of the Corporation, adapting to the challenges of new regulatory relationships and dealing with an outstanding labour contract. With significant progress in dealing with these challenges, management is turning its attention to specific areas of the business that will sustain its competitive position in the market.

This goal involves examining key business processes, and targeting investments in the future to ensure that success is sustainable as the environment and the customers' needs change. This will be achieved through implementing targeted efficiency improvements, refocusing infrastructure spending so that the company can invest more in transformational change, strengthening key business capabilities, and prioritizing investments based on business requirements and level of urgency.

In the next three years, the focus includes: 1) ensuring the effectiveness of business processes that support strategic priorities; 2) minimizing current support costs to enable renewal of critical systems to the business; and 3) proactively strengthening and investing in those competencies necessary to succeed in the future.

Objectives

Deliver efficient and high quality service by:

- simplifying and enhancing key business processes
- minimizing system support costs to enable renewal of insurance and claims systems
- building our competitive capabilities in underwriting, marketing and business analytics

Strategies

- Examine key business processes critical to ICBC's success in the market, and set priorities for investment over the next three years

Performance Measures

ICBC will use two new measures to evaluate the efficiency of our services. The measures described below are Insurance Operating Cost Per Policy and Driver Services Cost Per Transaction. As noted in the Financial Responsibility section, these measures replace the Claims Efficiency Ratio measure.

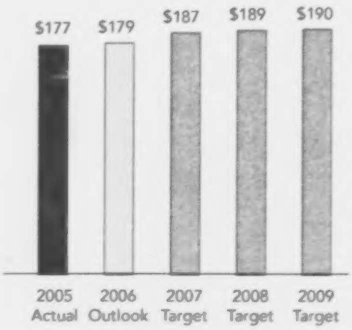
It is important to note that these efficiency measures need to be looked at in conjunction with the Claims, Insurance, and Driver Services satisfaction scores in order to evaluate the quality (effectiveness), as well as the efficiency, of the services provided by ICBC.

Insurance Operating Cost Per Policy

This measures the cost of service delivery of all insurance related activities including sales and marketing, internal and external costs of handling claims, loss management programs, and associated support services. These costs are divided by the number of gross annualized Basic and Optional policies written to arrive at the cost per policy. In general, a year-over-year reduction in the cost per policy indicates an overall increase in the efficiency of the company's Insurance operations.

The 2006 outlook is slightly higher than 2005 results largely due to higher external costs of handling claims. The increase in the 2007 forecast is mainly attributable to higher acquisition costs and, to a lesser extent, the increase in external costs of handling claims (such as legal costs) and project expenses. The 2008 – 2009 forecasts are projected to increase slightly primarily due to an increase in acquisition costs.

Insurance Operating Cost Per Policy



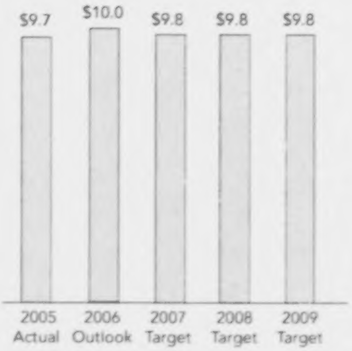
Source: ICBC Financial Systems

Driver Services Cost Per Transaction

This measures the Driver Services cost relative to a Driver Service transaction. Driver Services transactions include all key transactions such as driver licenses issued, driver license renewals, British Columbia Identification (BCID) cards issued, address changes, and driver tests. Similar to the Insurance Operating Cost Per Policy measure, in general, a year-over-year reduction in the Driver Services Cost Per Transaction indicates an overall increase in the efficiency of the company's Driver Services Operations.

The 2006 outlook is slightly higher due to delays in hiring in 2005. 2007 – 2009 forecasts are expected to remain relatively flat as operating costs are projected to increase at the same rate as volume growth.

Driver Services Cost Per Transaction



Source: ICBC Financial Systems

Strategy Summary

ICBC's current goals, objectives and targets on its high level strategies are contained in the following tables. In addition, information is provided concerning ICBC's performance management systems.

Goal	Objectives — High Level	Measures	Outlook	Target		
			2006	2007	2008	2009
Customer Focus	Be an auto insurance company our customers trust to: • deliver exceptional value, including competitive and stable prices • provide hassle-free claims service • be easy to deal with in all aspects of our business Provide customers with the ICBC product that best matches their needs in partnership with independent brokers	Insurance Services Satisfaction	94%	93%	94%	95%
		Driver Services Satisfaction	90%	90%	90%	90%
		Claims Services Satisfaction	82%	82%	83%	83%
Financial Responsibility	Achieve financial strength through: • appropriate pricing • reducing the growth in claims costs • a disciplined approach to managing operating costs • maximizing investment returns based on acceptable risk	MCT[A]	148%	151%	150% by 2010	150% by 2010
		Combined Ratio				
		• Claims & Claims Related Expenses & Insurance Expenses	103.4%	105.3%	107.0%	108.4%
		• Non-insurance Expenses	3.0%	2.7%	2.7%	2.7%
		Total	106.4%	108.0%	109.7%	111.1%
		Loss Ratio	90.4%	88.9%	90.5%	92.0%
		Expense Ratio				
		• Insurance Expense Ratio	15.7%	16.4%	16.5%	16.4%
		• Non-insurance Expense Ratio	3.0%	2.7%	2.7%	2.7%
		Total	18.7%	19.1%	19.2%	19.1%
		Investment Return	Benchmark + 0.268%	Benchmark + 0.268%	Benchmark + 0.268%	Benchmark + 0.268%
High Performing, Engaged & Capable People	Create a performance-driven company by: • developing our people • strengthening our leadership capability • improving employee accountability for delivering results	Employee Engagement Index	52%	55%	N/A	N/A
Operational Excellence	Deliver efficient and high quality service by: • simplifying and enhancing key business processes • minimizing system support costs to enable renewal of insurance and claims systems • building our competitive capabilities in underwriting, marketing, and business analytics	Insurance Operating Cost Per Policy	$179	$187	$189	$190
		Driver Services Cost PerTransaction	$10.0	$9.8	$9.8	$9.8

[A] The 2007 MCT result may be impacted by OSFI's changes to the MCT calculation to incorporate the new Financial Instrument Accounting Standards which will be incorporated in the 1st quarter 2007 reporting.

Performance Management Systems

ICBC's financial performance measures are derived from the financial forecasts. ICBC maintains and relies on management, system and financial controls designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized and recorded. The controls include written policies and procedures, an organizational structure that segregates duties, and a comprehensive program of periodic audits by the internal auditors, who independently review and evaluate these controls. ICBC continually monitors these internal accounting controls, modifying and improving them as business conditions and operations change. Policies that require employees to maintain the highest ethical standards have also been instituted.

ICBC recognizes the inherent limitations in all control frameworks and believes the current framework provides an appropriate balance between costs and benefits desired. ICBC believes that the systems of internal accounting controls provide reasonable assurance that errors or irregularities that would be material to the financial statements are prevented or detected in the normal course of business.

ICBC's non-financial performance measures are generated by external sources. Independent firms are retained to conduct ongoing surveys of customers for the purposes of monitoring satisfaction and an annual survey for the purpose of monitoring employee engagement.

Alignment with Government's Strategic Direction

ICBC's strategic direction focuses the company on providing significant value to all British Columbians, from customers who purchase its products to those holding a BC driver's license, to individuals making a claim, to individuals and communities that benefit from a road safety investment. The goals put forward by government address specific challenges and opportunities in BC, and ICBC is committed to supporting each goal when appropriate within its mandate.

The Shareholder's Letter of Expectations was renewed effective January 2007. It affirms the Corporation's mandate to provide Basic and Optional automobile insurance, and to provide driver licensing and vehicle licensing and registration on behalf of the Province.

In addition to outlining the general government reporting framework and general directions, the Shareholder's Letter of Expectations also addresses the need for ICBC to manage the trend of rising bodily injury costs, help make roads safer in British Columbia, operate in an efficient and effective manner for the benefit of its customers to keep premiums competitive and stable, and meet the terms of the new Optional auto insurance framework to better assist consumers in making auto insurance choices based on their needs.

BC Government Strategic Plan	ICBC'S Strategic Direction
Great Goals	**ICBC Alignment**
1. To make BC the best educated, most literate jurisdiction on the continent.	• ICBC, through joint initiatives with schools, industry associations, brokers and municipalities involves the general public in promoting education specific to our mandate and safe driving. • ICBC also invests in training programs for its employees.
2. To lead the way in North America in healthy living and physical fitness.	• ICBC plays a pivotal role in assuring the safety of British Columbians. Each year, the company invests in loss management and road safety programs that reduce the frequency and severity of accidents, and engages a dialogue about issues that affect individuals and their communities, from crime to fraud to safe driving.
3. To build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors.	• ICBC provides no-fault accident benefits for medical and rehabilitation services that assist victims in returning to work and living independently in the shortest possible time. Further, the company embraces values of integrity, fairness and community.

Summary Financial Outlook

$ millions	2005* (Actual)	2006 (Outlook)	2007 (Forecast)	2008 (Forecast)	2009 (Forecast)
Premiums earned	3,117	3,257	3,434	3,542	3,662
Service Fees	38	47	57	58	59
Investment income	579	513	442	467	496
Total revenue	**3,734**	**3,817**	**3,933**	**4,067**	**4,217**
Claims incurred (including prior years' claims adjustments)	2,525	2,644	2,747	2,892	3,046
Claims services & loss management	287	301	304	312	320
Insurance operations expenses	137	133	151	155	159
Acquisition costs (including DPAC adjustment)	478	292	414	430	444
Non-insurance expenses	109	97	92	95	98
Total expenses	**3,536**	**3,467**	**3,708**	**3,884**	**4,067**
Net income	**198**	**350**	**225**	**183**	**150**
Retained earnings – beginning of year	**959**	**1,157**	**1,507**	**1,732**	**1,915**
Retained earnings – end of year	**1,157**	**1,507**	**1,732**	**1,915**	**2,065**

Key Assumptions

- Prior years' adjustments in 2007 and beyond reflect changes in the discounted value of unpaid claims.
- Estimated deferred premium acquisition cost adjustments of approximately $90 million are reflected in 2006. Adjustments beyond 2007 are not determinable.
- The outlook is based on the status quo business model and existing cost structures.
- Return on investment (accounting): 6.9% return for 2006; 5.5% in 2007 and 2008, and 5.4% in 2009 on average portfolio balance including assets pledged as collateral to finance the ICBC Payment Plan.
- The outlook is based on current generally accepted accounting principles. No adjustments have been included to present investments on a mark to market basis.
- These results reflect the overall operations of the business including Basic and Optional insurance and Non-insurance activities.
- Claims incurred reflect current claims trends, vehicle population growth, inflation and a growing BC economy. It also includes the increase in the tariff for legal costs in all years.

Forecast Risks and Sensitivities

▪ Premiums	1 % fluctuation means $31 – $37 million in net premiums.
▪ Claims	1 % fluctuation means $25 – $30 million impact in claims costs.
	1 % fluctuation in the unpaid claims balance means $51 – $60 million in claims costs.
▪ Investments	1 % fluctuation in return means $77 – $94 million in investment income.
	1 % change in investment balance means $4 – $5 million in investment income.
▪ Market share	1 % change in market share represents a $4 – $6 million impact on net income.

* Certain figures for 2005 actual have been reclassified to conform to the current year's presentation

Operating Subsidiaries

Surrey City Centre Mall Ltd. (SCCM) was incorporated in 1999 as a subsidiary of ICBC Properties Ltd. (IPL). On January 1, 2004, SCCM was transferred directly to ICBC and SCCM has operated as a subsidiary of ICBC since that time.

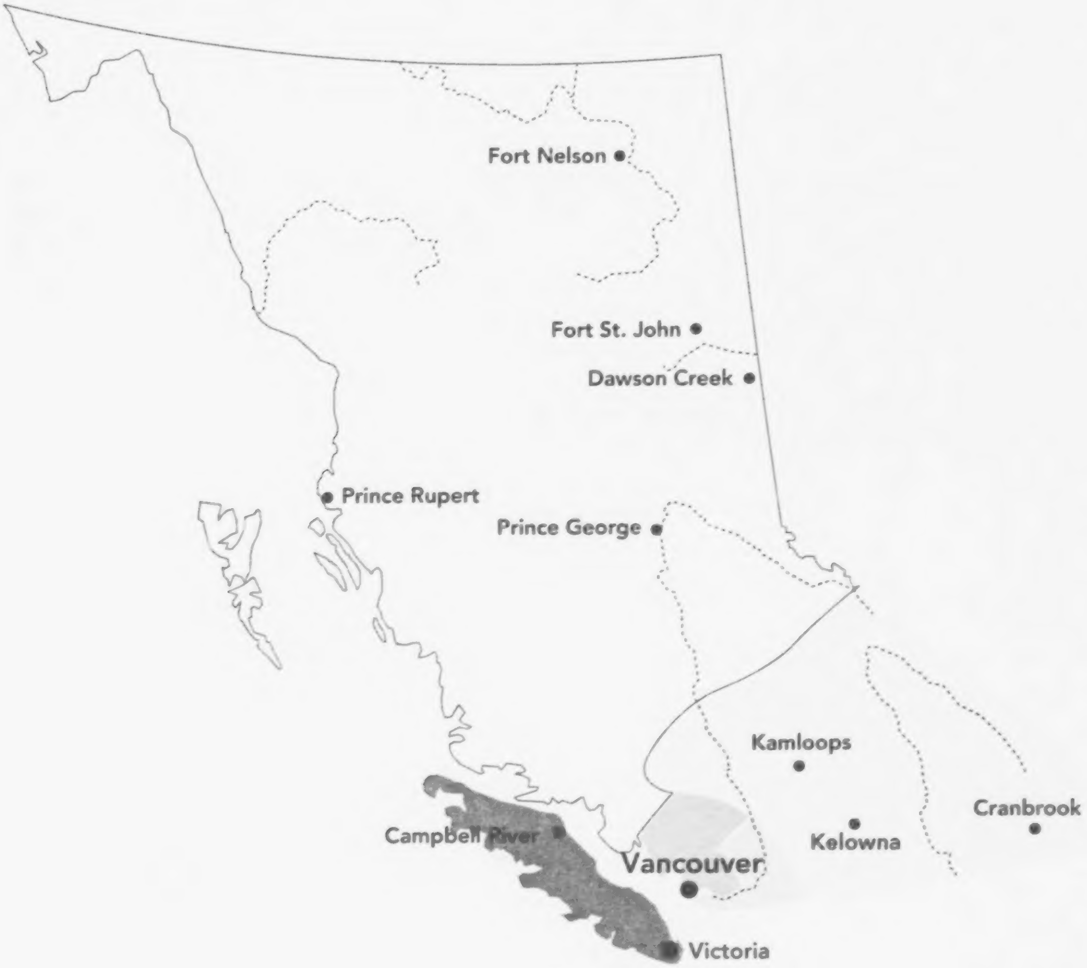
SCCM actively manages the Central City project in Surrey. This project includes a 25-storey class A office tower and Galleria built on top of the existing retail development known as Central City Mall (formerly Surrey Place Mall). Construction was completed in 2003 with the net leasable area of the new development being approximately 867,000 square feet. The existing retail mall is approximately 646,000 square feet, of which SCCM owns approximately 517,000 square feet.

The sophisticated nature of the facilities' design and amenities of the Central City development has lent itself to attracting tenants with specific space and technology requirements. For example, in 2004, Simon Fraser University (SFU) purchased net leasable space of approximately 305,000 square feet in the Central City development to create a new Surrey campus.

In 2005, SCCM reported a net operating profit of $2.1 million based on revenues of $14.7 million and expenses of $12.6 million. In 2006 SCCM's net operating profit is projected to be $8.1 million, reflecting revenues of $21.2 million, expenses of $15.3 million and a gain on sale of real estate of $2.2 million. These financial results are included in ICBC's financial summary provided in the Service Plan.

SCCM markets Central City's offices as an international quality leasing opportunity. Its 2006 capital budget of $13 million supported new construction of retail development and other tenant improvements and allowances. These expenditures focused on realizing maximum value from the asset, with the goal of leasing additional space, particularly retail space, and generating more revenue overall. These are both key measures of performance for the company.

Currently, with the tower development fully occupied and the strong market, SCCM has started a process to market the property for sale. Completion of this process is anticipated in 2007.


Fort Nelson
Fort St. John
Dawson Creek
Prince Rupert
Prince George
Kamloops
Cranbrook
Kelowna
Campbell River
Vancouver
Victoria

Greater Vancouver	
Claim Centres	10
Driver Services Centres	8
Government Agents	1
Appointed Agents	5
Brokers	296

Vancouver Island	
Claim Centres	7
Driver Services Centres	3
Government Agents	5
Appointed Agents	15
Brokers	143

North/Central	
Claim Centres	8
Driver Services Centres	1
Government Agents	14
Appointed Agents	15
Brokers	66

Fraser Valley	
Claim Centres	6
Driver Services Centres	8
Government Agents	1
Appointed Agents	2
Brokers	239

Southern Interior	
Claim Centres	8
Driver Services Centres	2
Government Agents	8
Appointed Agents	32
Brokers	152

ICBC Points of Service

Greater Vancouver

Claims Centres
Burnaby, Wayburne**
Coquitlam*,
Blue Mountain St.
Coquitlam,
Centralized Estimating Facility
Maple Ridge
New Westminster**
North Vancouver**
Sechelt, Resident Office
Squamish
Vancouver, 5th and Cambie*
Vancouver, Kingsway**

Driver Services Centres
Burnaby*
Burnaby, Metrotown (Express)
Coquitlam
Coquitlam (Express)
North Vancouver
Vancouver East
Vancouver, Point Grey
Vancouver, Robson Square

Government Agents
Maple Ridge

Appointed Agents
Gibsons
Pemberton
Sechelt
Squamish
Whistler

Fraser Valley

Claims Centres
Abbotsford**
Chilliwack
Langley**
Richmond*
Surrey, Guildford*
Surrey, Newton**

Driver Services Centres
Abbotsford
Langley
Richmond*
Richmond (Express)
Surrey*
Surrey, Cloverdale (Express)
Surrey, Guildford (Express)
Chilliwack

Government Agents
Chilliwack

Appointed Agents
Agassiz
Hope

Vancouver Island

Claims Centres
Campbell River
Courtenay
Duncan
Nanaimo
Port Alberni
Powell River, Resident Office
Victoria*

Driver Services Centres
Nanaimo
Victoria, McKenzie Ave*
Victoria, Wharf Street (Express)

Government Agents
Campbell River
Courtenay
Duncan
Nanaimo
Port Alberni

Appointed Agents
Alert Bay
Ganges
Gold River
Ladysmith
Lake Cowichan
Mill Bay
Parksville
Port Hardy
Port McNeill
Powell River
Qualicum Beach
Sidney
Sooke
Tofino
Ucluelet

Southern Interior

Claims Centres
Cranbrook
Kamloops
Kelowna*
Nelson
Penticton
Salmon Arm
Trail
Vernon

Driver Services Centres
Kamloops
Kelowna*

Government Agents
Cranbrook
Kamloops
Nelson
Penticton
Revelstoke
Salmon Arm
Trail
Vernon

Appointed Agents
Armstrong
Ashcroft
Barriere
Castlegar
Chase
Clearwater
Clinton
Creston
Elkford
Enderby
Fernie
Golden
Grand Forks
Greenwood
Invermere
Kaslo
Keremeos
Kimberley
Lillooet
Lumby
Merritt
Midway
Nakusp
New Denver
Oliver
Osoyoos
Princeton
Salmo
Sicamous
Slocan Park
Sparwood
Summerland

North/Central

Claims Centres
Dawson Creek
Fort St. John
Prince George
Prince Rupert
Quesnel
Smithers
Terrace
Williams Lake

Driver Services Centres
Prince George

Government Agents
Atlin
Chetwynd
Dawson Creek
Dease Lake
Fort Nelson
Fort St. John
Prince George
Prince Rupert
Queen Charlotte City
Quesnel
Smithers
Stewart
Terrace
Williams Lake

Appointed Agents
Bella Coola
Burns Lake
Fort St. James
Fraser Lake
Houston
Hudson's Hope
Kitimat
Mackenzie
Masset
McBride
New Hazelton
100 Mile House
Tumbler Ridge
Valemount
Vanderhoof

Other Points of Service

ICBC on-line Claim Report:
www.icbc.com/claims-repairs

24-hour Dial-a-claim:
604-520-8222 (Lower Mainland)
1-800-910-4222
(outside LM & out of province)

* extended hours of operation

** extended hours of operation effective Feb. 12, 2007

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1-800-663-3051

ADDITIONAL INFORMATION

Additional information about ICBC is available at www.icbc.com

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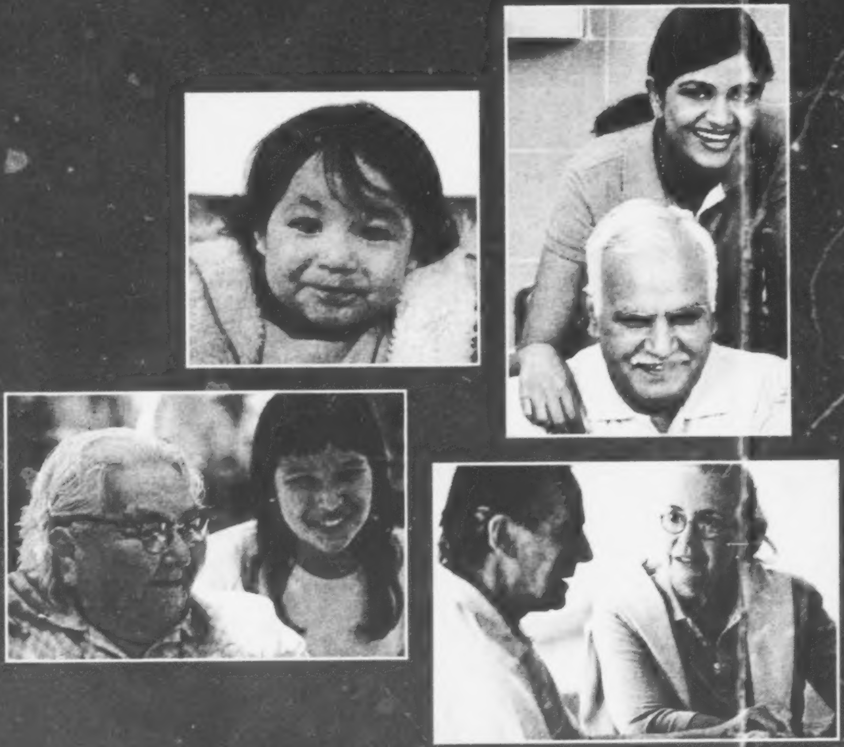
Legal Services Society

Service Plan

2007/2008 · 2009/2010



Legal
Services
Society

British Columbia
www.lss.bc.ca

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The *Service Plan 2007/2008–2009/2010* is a publication of the Legal Services Society (LSS). LSS is a non-government organization that provides legal aid to British Columbians with low incomes. LSS is funded primarily by the provincial government, and it also receives grants from the Law Foundation, the Notary Foundation, and the federal Legal Aid Renewal Fund.

Two of the cover photographs and several of the photographs used inside this service plan were taken from the Health Canada website and Media Photo Gallery, found at www.hc-sc.gc.ca. They were reproduced with the permission of the Minister of Public Works and Government Services Canada, 2006.

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Letter from the Board Chair to the Minister Responsible and Accountability Statement

January 31, 2007

The Honourable Wally Oppal
Attorney General
Province of British Columbia

Dear Mr. Attorney:

I am pleased to present you with the *Legal Services Society Service Plan 2007/2008–2009/2010*. This plan is based on strategic priorities established by the LSS Board of Directors to ensure the society meets the legal needs of people with low incomes in BC. Earlier this year, the board identified legal aid renewal as a new strategic priority for the coming three-year period. Legal aid awareness and innovative services will also continue as strategic priorities.

Legal aid renewal means developing a clear understanding of how we expect our programs to benefit clients so we can be sure the services we provide are the right ones. This work will continue—and broaden—two of the objectives we set for ourselves in 2004 when we launched the tariff review: attracting lawyers who will provide quality services for LSS clients and promoting efficiency and effectiveness within legal aid and the overall justice system.

Our mission of helping low-income people defend their legal rights, through services ranging from information and advice to representation, remains central, but the exercise of asking what results we want to achieve through the tariff has raised the larger question: What do we want legal aid to become in this new century? To answer this question, we need to identify the met and unmet needs of low-income people, and to listen carefully to proposals and ideas for the future of LSS. We will be doing both over the coming year. Over the longer term, the society will ask fundamental questions about our services in all areas, much as we have done and continue to do in the process of rebuilding family legal aid. Once we identify the results clients and stakeholders want from legal aid, we will implement service changes as necessary to ensure our work contributes to those results.

Beyond ensuring that the justice system provides fair process, we are committed to supporting early—and stable—resolutions to legal problems for low-income people, so they can move on with their lives and contribute to the betterment of society as a whole. This is consistent with your ministry's commitment to an accessible, innovative, and effective justice system and with the emphasis we at LSS have placed on innovation, collaboration, and providing services that are proportionate to the legal problems clients face.

One of the strategic issues facing the society is the need to develop outcome measures that will help us build and evaluate services to ensure they make a positive difference to clients, the justice system, and the public at large. Moving the society toward a greater outcome focus is consistent with current trends in publicly funded services, which emphasize greater transparency, accountability, and efficacy in the expenditure of public funds. Identifying such measures, however, poses a considerable challenge for LSS, as this is largely new territory for the justice system and examples in legal aid are rare.

Another key strategic issue for LSS is the ongoing search for permanent funding to maintain proven initiatives while also managing our budget in a constantly changing environment. Fluctuating revenues and externally driven justice reforms, both of which fall outside the society's control, are just two factors that have affected our budget plans in recent years. Given this environment, we are fortunate to have, for the first time in a long while, a significant accumulated surplus. The board remains committed to using this surplus to support the society's strategic priorities and will reserve the surplus for that purpose.

Drawing on the values of leadership, respect, and working with others, LSS staff, management, and board members continue to work with our partners in the justice system to develop new and valuable programs. We are honoured to work with the many local agents, private lawyers, community advocates, and others who are dedicated to delivering legal aid to those who face legal problems but do not have the means to pay for legal services.

This service plan was prepared under the direction of the LSS Board of Directors in accordance with the Budget Transparency and Accountability Act. The board is accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with the BC government's strategic priorities and overall strategic plan. All significant assumptions, policy decisions, and identified risks, as of January 31, 2007, have been considered in preparing the plan. The board is accountable for ensuring that the society achieves the specific objectives identified in the plan and for measuring and reporting on its actual performance.

We look forward to working with you to further enhance our ability to meet client needs and to advance access to justice in BC.

Yours truly,

Geoffrey Cowper, QC

Chair, LSS Board of Directors

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> “At LSS, we believe access to justice is a necessity, not a luxury. We want our legal aid system to be a beacon of hope to the broader world; we want BC to be a place where the rule of law is real—and achieves justice—for everyone.”

Geoffrey Cowper, QC, Chair, LSS Board of Directors

> “Your website is amazing and has calmed my nerves enough to go forward with my request for raising my child support payments on my own. Thanks.”

Family Law in BC website user

Organization Overview

Core Services

The Legal Services Society (LSS) is a non-profit organization established by statute in 1979 to provide legal aid services in British Columbia. The society offers a range of services that includes legal information, education, advice, and representation.

LSS staff deliver services at regional centres, through the toll-free LSS Call Centre and LawLINE, and through funded local agents across the province. Lawyers who accept LSS referrals provide most of the legal representation services. In addition, the society contracts with lawyers and other organizations to deliver other services, such as duty counsel.

The society works to ensure that its services are accessible to all communities. For example, LSS provides a call centre for people who cannot apply for legal aid in person, as well as telephone interpreter services for call centre and LawLINE clients as needed. The society also pays for interpreters for clients working with legal aid lawyers and produces legal information publications in a range of languages.

LSS legal representation services are available to financially eligible people with serious family problems (such as child apprehension matters or specific issues involving safety, custody, and access) and serious criminal problems. Representation is also provided for people who face a refugee or deportation hearing, a Mental Health Review Panel or BC Review Board hearing, or a prison issue for which the Charter of Rights and Freedoms establishes a right to counsel.

Legal advice is available through the Brydges line, duty counsel, family advice lawyers, and LawLINE. Many LSS advice services are subject to a financial eligibility test.

People with low incomes who do not qualify for legal representation or advice services can still get legal information. The society provides a range of information services through LawLINE, publications, several websites, public access computers, and training conferences for community advocates working with LSS clients.

Governance

The society is governed by a nine-member board of directors. Of the nine directors:

- five are appointed by the Lieutenant-Governor in Council on the recommendation of the Attorney General and
- four are appointed by the Law Society of BC after consultation with the executive of the BC Branch of the Canadian Bar Association.

The Legal Services Society Act outlines the need for the board as a whole to have a range of knowledge, skills, and experience in such areas as:

- business management and the financial affairs of public and private sector organizations;
- law and the operation of courts, tribunals, and alternative dispute resolution processes;
- the provision of legal aid;
- BC's cultural and geographic diversity; and
- the social and economic circumstances associated with the special needs of low-income people.

As of January 31, 2007, the board members were:

- Geoffrey Cowper, QC (Vancouver, chair)
- D. Brent Adair, QC (Chilliwack)
- Janice Comeau (Vancouver)
- Leah George-Wilson (North Vancouver)
- Larry Goble (Victoria, vice chair)
- Bruce Hardy (Surrey)
- John M. Hogg, QC (Kamloops)
- D. Mayland McKimm, QC (Victoria)
- Greg Stacey (Nelson)

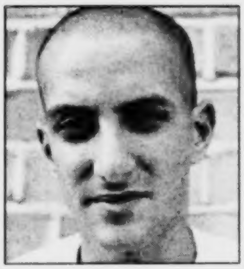
For more information about the LSS board and its governance, see the society's website at www.lss.bc.ca/about_lss/board.asp.

Board governance

The board's governance framework, which is rooted in the LSS Act, consists of policies and bylaws reflecting established best practices for governance. Under its bylaws, the board's role is "to ensure the effective governance of the society through setting direction, monitoring performance, and hiring and supporting the executive director."

At their first meeting in each fiscal year, the directors elect a board chair and an executive committee. Established under section 5 of the LSS Act, the Executive Committee is headed by the board chair and consists of at least two other directors. This committee holds all the powers of the board between meetings except the power to fill vacancies on or alter the membership of board committees and powers excluded by resolution of the board. As of January 31, 2007, Executive Committee members were:

- Geoffrey Cowper, QC (chair)
- D. Brent Adair, QC
- Larry Goble
- Bruce Hardy
- D. Mayland McKimm, QC



The board also establishes standing and ad hoc committees to help it carry out its responsibilities. The chair, in consultation with the society's executive director, appoints the members of these committees, unless the board directs otherwise.

The Finance Committee makes recommendations on matters pertaining to the society's finances, funding, and fiscal allocations. As of January 31, 2007, members of this committee were:

- Janice Comeau (chair)
- Bruce Hardy
- John M. Hogg, QC

The bylaws also establish a special liaison director. This person's function is to promote both the ongoing exchange of information and the co-ordination of efforts with external organizations and individuals on issues of common interest and concern. To this end, liaison directors meet with key stakeholders prior to and after the board's annual planning retreat.

The LSS board is committed to continuous governance improvement. For example, in 2006, the board enhanced its governance framework to include an annual governance review process. Other advancements include improving the board development process, adopting a committee assessment schedule, refocusing the audit committee, and incorporating a competency matrix into annual board performance assessments (to compare the skills and experience of each board member against the skills and experience the board has identified as being necesssary).

Senior management

The board of directors appoints an executive director to supervise, manage, and administer the business of the society. The executive director chairs the society's Executive Management Committee (EMC), which provides the society with strategic direction. EMC also makes final decisions on strategic and operational issues brought forward by the advisory committees (see below). As of January 31, 2007, EMC members were:

- Mark Benton, Executive Director
- Harold V. J. Clark, Director, Strategic Planning, Policy, and Human Resources
- Heidi Mason, Director, Public Legal Information and Applications
- Catherine McNeil, Director, Finance and Corporate Services
- Edward Tanaka, Director, Legal Advice and Representation
- Gulnar Nanjijuma, Executive Assistant, Executive Office (recorder)

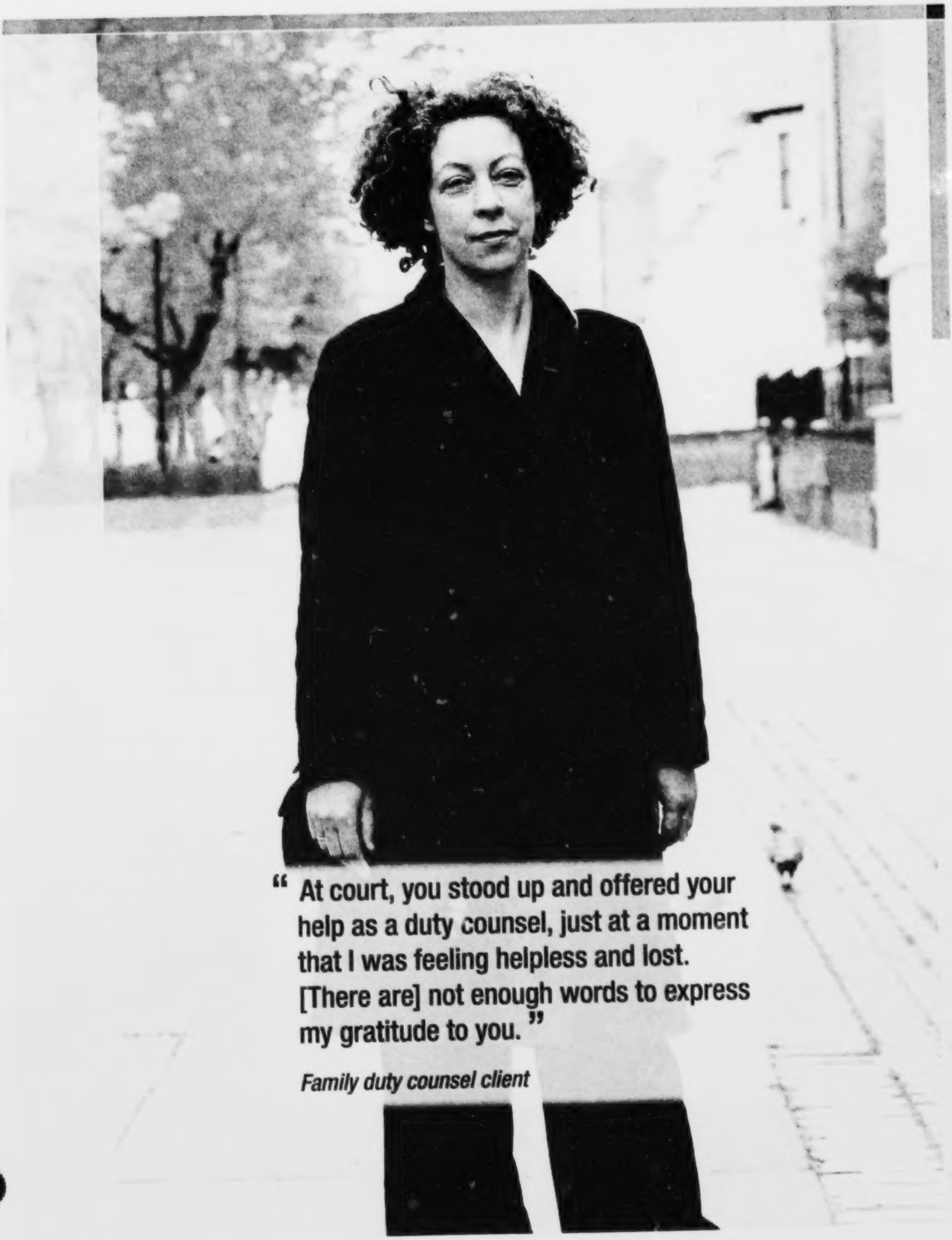
LSS also has a managers' forum and two advisory committees.

The Operations and Infrastructure Committee provides advice to EMC on interdivisional issues, management initiatives, and operational support issues. As of January 31, 2007, committee members were:

- Heidi Mason, Director, Public Legal Information and Applications (chair)
- Joel Chamaschuk, Manager, Information Technology
- Thomas Fink, Manager, Strategic Planning
- Noreen Finnerty, Manager, Human Resources and Organizational Development
- Thomas Quine, Manager, Electronic Access and Operational Support
- Janice Staryk, Manager, Operations, Legal Advice and Representation
- Eugene Wandell, Manager, Finance and Administration

The Policy and Planning Committee provides advice and recommendations to EMC on interdivisional policy and planning issues; strategic and service planning; capacity management; and coverage, eligibility, and tariff policies. As of January 31, 2007, committee members were:

- Harold V. J. Clark, Director, Strategic Planning, Policy, and Human Resources (chair)
- Corinne de Bruin, Manager, Policy
- Thomas Fink, Manager, Strategic Planning
- Catherine McNeil, Director, Finance and Corporate Services
- Thomas Quine, Manager, Electronic Access and Operational Support
- Sandy Shreve, Communications Officer
- Janice Staryk, Manager, Operations, Legal Advice and Representation



> “ At court, you stood up and offered your help as a duty counsel, just at a moment that I was feeling helpless and lost. [There are] not enough words to express my gratitude to you. ”

Family duty counsel client

Strategic Context

Our mission

To assist low-income individuals to resolve their legal problems by providing a spectrum of services that promotes their effective participation in the justice system.

Our vision

An innovative, collaborative legal aid system responding to the needs of low-income people throughout British Columbia.

Our values

Making a difference through leadership, respect, and working with others.

Our mandate

The society was established by the LSS Act (the act) for the purpose of developing and maintaining an effective and efficient system of legal aid for low-income individuals in British Columbia.

Under section 9 of the act, the society's objects are:

- to assist low-income individuals to resolve their legal problems and facilitate access to justice for low-income individuals,
- to establish and administer an effective and efficient system for providing legal aid to low-income individuals in British Columbia, and
- to provide advice to the Attorney General respecting legal aid.

Service Plan Overview

Our mission

↓

Our vision

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Our goals

1. There is broad-based support for legal aid.
2. People with low incomes can access appropriate and effective legal information and application services.
3. Low-income clients receive quality legal advice and representation services that are proportionate to their needs.
4. Strategic and sustainable management of staff capacity and LSS services to meet the legal needs of people with low incomes.
5. Effective management of LSS expenditures.

↓

Our objectives

1.
   - Ensure public perceptions of legal aid are positive.
   - Create a favourable environment for funding LSS.
2.
   - Strengthen community service partners' capacity to provide information and application services.
   - Increase the accessibility of legal information services for people with low incomes.
   - Increase the accessibility and cost-effectiveness of the LSS application process.
3.
   - Reduce gaps in service.
   - Increase lawyers' involvement and engagement in the delivery of legal aid.
   - Increase the accessibility of advice and representation services for people with low incomes.
   - Develop and implement outcomes-based management for the Legal Advice and Representation Division and the tariff, in alignment with legal aid renewal.
4.
   - Facilitate ongoing resource capacity management.
   - Develop a process for implementing legal aid renewal in BC.
5.
   - Strengthen policy compliance.
   - Use technology to streamline processes and provide innovative services.
   - Improve financial forecasting management.
   - Improve quality of tariff services.

“ This is such a necessary service; I have no idea how I would have dealt with the court process if I'd had to do it by myself. ”

Family duty counsel client

Planning Context and Key Strategic Issues

Each year, the LSS board and senior management conduct an environmental scan and risk analysis to determine the main factors that will affect the society's ability to achieve the intended results in the next planning period. This analysis also informs the board's annual discussions on the strategic priorities for the year ahead. The following section outlines the key planning and strategic issues the society anticipates encountering during 2007/2008–2009/2010.

Planning context

In the last few years, LSS has redesigned its service delivery structure, introduced innovative programs, and restructured internally. As part of the reorganization, LSS introduced a strategically aligned policy and planning framework designed to help ensure that the society's programs and services are accountable, efficient, and responsive to client needs. The society's increased focus on providing legal advice and information services (including LawLINE and family duty counsel) as part of a range of legal aid services has broadened access to legal aid in BC.

Legal aid renewal

At its 2006 planning session, the LSS board identified legal aid renewal as a strategic priority for 2007/2008–2009/2010. The society will begin this process by articulating how we expect legal aid to benefit our clients. With a clear understanding of the intended outcomes of legal aid work, LSS can evaluate and, if necessary, redesign services to ensure they help clients achieve these outcomes. Legal aid renewal will also involve defining which legal services are necessary, who should receive them, and what our clients need. Legal aid renewal supports the society's commitment to seeking early and stable resolutions to our clients' legal problems so they can move on with their lives and contribute to society. By directing attention to client outcomes, legal aid renewal will help the society understand, demonstrate, and remain accountable for the impact of our work.

In 2004, LSS initiated a tariff renewal process to make legal aid referrals more attractive to lawyers and to ensure that LSS provides high-quality services to clients. This process will continue within the broader context of legal aid renewal in the coming years. (See "Lawyer recruitment and retention" on page 13.)

Legal aid renewal may include introducing client contributions. Based on the results of a feasibility study undertaken in early 2007 and the desired client outcomes identified through the legal aid renewal process, LSS will determine whether client contributions will help to advance the society's goals. Currently, other provincial legal aid plans successfully operate client contribution and cost recovery programs as part of expanded eligibility programs aimed at providing legal aid to the working poor.

Capacity

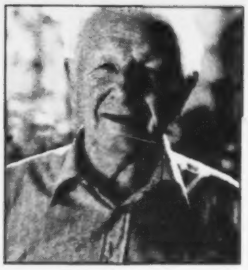
The organizational structure and processes LSS established in 2005 are designed to strengthen client focus and to streamline administrative and reporting processes, thereby improving the society's ability to both manage workloads and enhance service quality. However, organizational capacity will remain an ongoing management issue as the society continues to define roles and responsibilities; implement effective policy, planning, and project control; and make structural adjustments as necessary to meet changing client needs. Responding to environmental changes, including legislative or policy developments (see "Justice system changes" on page 14), may challenge capacity in the next three years.

Key Strategic Issues

The following primary strategic issues were identified for 2007/2008–2009/2010.

Public awareness and support

Actively raising public awareness of and support for legal aid and access to justice issues remains a strategic priority for the society. In a December 2006 public opinion poll, few respondents (18%) said they knew a fair amount or a lot about legal aid. However, once LSS services were described, 93% said they supported them. The society launched a public awareness campaign in 2004 to promote better understanding of legal aid. In 2005, the society broadened this campaign, initiating a three-year communications initiative to bring legal aid services and access to justice issues to the attention of groups and individuals who make and/or influence policy decisions. This campaign aims to generate positive public perceptions of legal aid and to create a favourable political environment for funding LSS services.



Budget variance

The society is accountable for making the most productive and timely use of its available resources for client needs. LSS is seeking to maintain legal aid funding while reserving its accumulated surplus to help sustain its strategic priorities, including maintaining or expanding existing initiatives shown to be effective for clients and developing new services to address key needs in the justice system. The surplus will also be reserved for supporting government-initiated justice reforms and securing against unbudgeted demand arising from federal criminal policy changes.

To support requests for funding, LSS realizes that it is necessary to demonstrate sound fiscal planning and program execution. It is a considerable challenge to manage budgets to avoid both deficits and surpluses for demand-driven services in a constantly changing environment. As a result, the society continues to review its budget processes. It has also established performance targets for reducing budget variance over the next three years as a way of tracking ongoing efforts to manage the society's expenditures effectively (see Goal 5 on page 22).

Lawyer recruitment and retention

Legal aid plans across Canada are facing lawyer attrition and the "greying" of the private bar. More than 75% of lawyers taking legal aid referrals in BC in 2005/2006 had over 10 years' experience, while the overall number of lawyers taking legal aid work continued its decade-long decline. Fewer new lawyers are taking legal aid referrals than ever before: only 6% of legal aid lawyers in 2005/2006 had less than 4 years' experience, representing a steady decrease from more than 25% in the early nineties.

Although the society is not yet facing serious lawyer shortages, failure to attract new lawyers to take legal aid referrals within the next few years will place both service quality and service accessibility at risk over the long term. Anecdotal evidence suggests that tariff renewal measures introduced in the past two years have begun to increase tariff lawyer satisfaction. Within the context of legal aid renewal, LSS will continue to introduce tariff changes, technological improvements, and quality assurance measures that will help attract new lawyers to the legal aid system and build a roster of qualified and dedicated legal aid lawyers for the future.

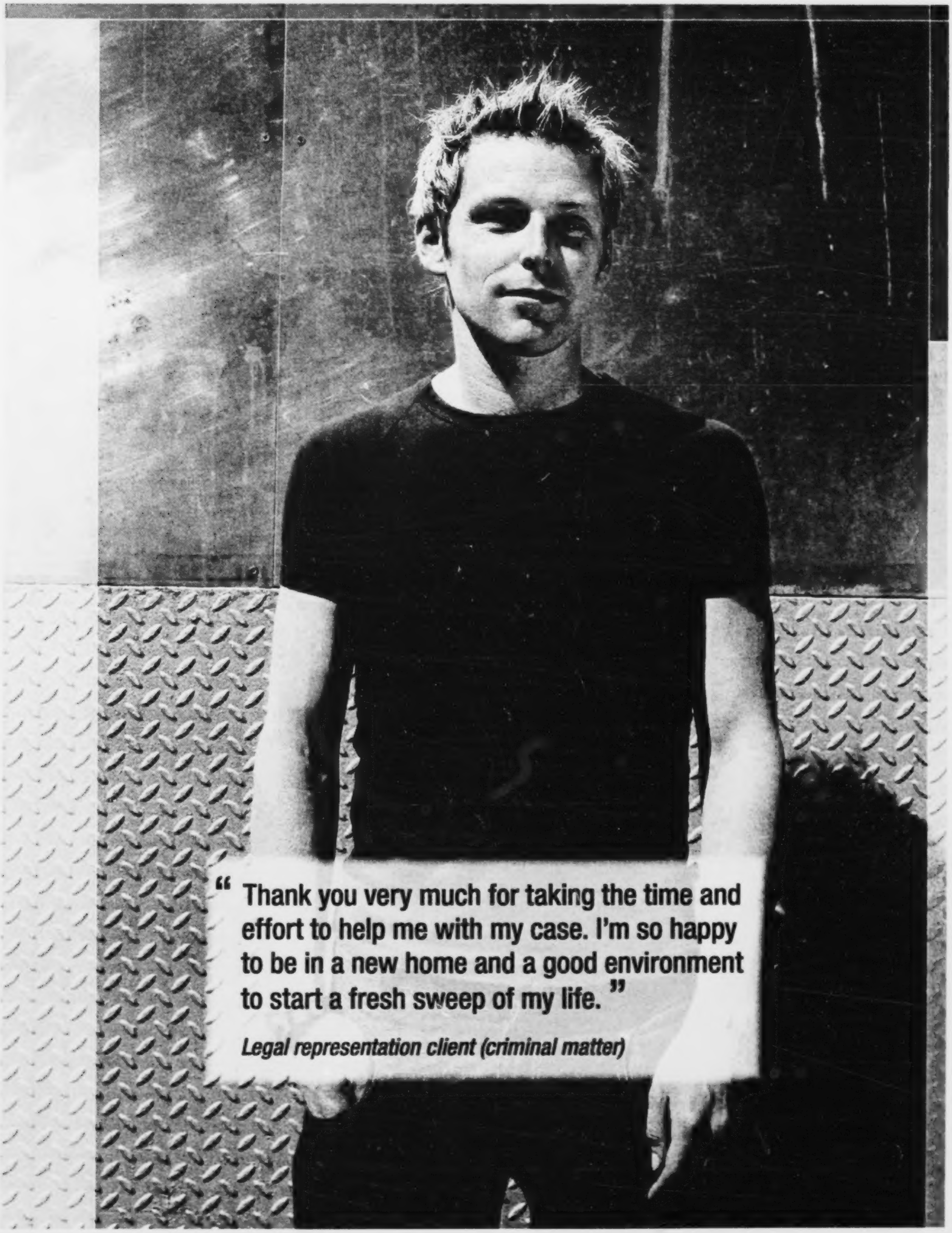
Moving to an outcomes-focused organization

Governments, businesses, and non-profit organizations are moving toward using outcome measurement to build responsive, accountable, and client-focused organizations. Measuring outcomes will help LSS evaluate the impact of its services on clients' lives. This data will augment information gained from performance measurement, which assesses how efficiently and effectively the society delivers its services and meets its goals and objectives. Together, these results will provide LSS with a more complete picture of the quality of its services and how well it is fulfilling its mission and vision.

LSS believes outcome measurement could provide a powerful tool to help realize legal aid renewal. However, taking an outcomes-driven approach to providing legal aid will require a significant shift in the way LSS designs and evaluates the success of our services. Defining desired outcomes and developing meaningful measures will be early challenges, recognizing that factors outside the society's control can affect final outcomes for legal aid clients. Working with other legal aid plans, the society intends to develop outcome measurements in the next three years that will ensure our services are making a difference in our clients' lives.

Justice system changes

Justice system reforms provide the society with important opportunities to increase access to legal services for people with low incomes. However, these same reforms can also place additional expectations and fiscal demands on the society, and they can affect legal aid services. The society anticipates that legal aid costs will increase as a result of the federal government's recent changes to the criminal justice system (for example, mandatory minimum sentences). Recommendations in the provincial Justice Reform Working Group reports, if implemented, will also impose additional costs on the society. As changes to procedures or legislation emerge, LSS evaluates their potential impact on legal aid services. Responding to changes in the justice system will require LSS to work collaboratively with its community partners.



> “Thank you very much for taking the time and effort to help me with my case. I'm so happy to be in a new home and a good environment to start a fresh sweep of my life.”

Legal representation client (criminal matter)

Goals, Objectives, Strategies, and Measures

Public Awareness
Accessibility
Quality Services
Strategic Management
Fiscal Responsibility

The 2007/2008–2009/2010 service plan reflects and supports the society's strategic planning framework. LSS is organized into four divisions that report to the executive director, each with end-to-end accountability for processes and outcomes. Two divisions are responsible for delivery of services to the public and to legal aid clients, and two are responsible for strategic management and corporate services. Each division, as well as the executive office, is accountable for one of the goals in the service plan, enabling LSS to align its day-to-day work with its vision.

Performance management system

To assess our performance on Goals 1–4, LSS surveys stakeholder groups, including the public, clients, tariff lawyers, and employees. Society staff help develop the survey questions and methodology, and independent research organizations carry out the data collection and analysis. To measure our performance on Goal 5, the society uses internal auditing and controls.

In this 2007/2008–2009/2010 plan, LSS made minor updates to its goals, objectives, and strategies as necessary to reflect our organizational development and changes in the external environment. The society also changed how we calculate the actual to budget variance measure (see Goal 5 on page 22). The measure is now based on budgeted compared to actual expenditures, excluding specific expenditures that are funded separately as they are incurred. These include Law Foundation-funded projects, exceptional matters, and immigration services.

Benchmarking

In 2006, Legal Aid Ontario (LAO) and Legal Aid Alberta (LAA) conducted public opinion polls on provincial legal aid services. These surveys provide benchmark data against which LSS can compare its own public opinion poll results. According to the LAO survey, 85% of Ontario residents support LAO services. In Alberta, 96% of residents polled support legal aid services. In comparison, the poll conducted for LSS in December 2006 showed that 93% of BC residents support legal aid services, up from 89% in December 2005 (see Goal 1 on page 18).

Public Awareness

Goal 1

There is broad-based support for legal aid.

Objectives

- Ensure that public perceptions of legal aid are positive.
- Create a favourable environment for funding LSS.

Strategies	**Timeline** 2007/08	 2008/09	 2009/10
Partner with stakeholders to promote public awareness of and support for LSS and its services.*			
Use media, publications, and LSS websites to promote public discourse about legal aid as a public policy issue.*			
Educate and inform elected and public officials and community leaders about legal aid, access to justice, and needed reform.*			
Maintain consistent board contact with key stakeholders.			
Provide advice to the Attorney General on the legal aid system.			

**Addresses key issue "Public awareness and support"; see page 12.*

Performance measure	**Baseline**	**2006/07 Actual**	**2007/08 Target**	**2008/09 Target**	**2009/10 Target**
Overall public approval rating for LSS services (annual survey)	89% (2005/06)	93%	90%	90%	90%

Goal 2

People with low incomes can access appropriate and effective legal information and application services.

Objectives

- Strengthen community service partners' capacity to provide information and application services.
- Increase the accessibility of legal information services for people with low incomes.
- Increase the accessibility and cost-effectiveness of the LSS application process.

Strategies	**Timeline** 2007/08	2008/09	2009/10
Review the current service delivery model for public legal information and education to assess efficiency and effectiveness.			
Integrate legal information and education services.			
Increase the availability of LSS application and information services.			
Develop a strategy to deliver more effective legal aid services to Aboriginal/First Nations communities.			
Identify outcome measures for the effectiveness of PLEI services.*			

**Addresses key issue "Moving to an outcomes-focused organization"; see page 14.*

Performance measure	Baseline	2006/07 Forecast	2007/08 Target	2008/09 Target	2009/10 Target
Client satisfaction with the accessibility and effectiveness of LSS services (survey every three years)	N/A	Develop survey	Set baseline	N/A	N/A

Goal 3

Low-income clients receive quality legal advice and representation services that are proportionate to their needs.

Objectives

- Increase lawyers' involvement and engagement in the delivery of legal aid.
- Increase the accessibility of advice and representation services for people with low incomes.
- Develop and implement outcomes-based management for the Legal Advice and Representation Division and the tariff, in alignment with legal aid renewal.
- Reduce gaps in service.

Strategies		**Timeline**	
	2007/08	2008/09	2009/10
Define and develop centres of expertise in criminal and civil law.			
Develop innovative projects to address gaps in advice and representation services.			
Explore the use of technology to involve lawyers across the province in providing advice services.			
Review and enhance the quality assurance program.*			
Implement tariff renewal recommendations and evaluate outcomes.*			
Identify outcome measures for advice and representation services.*			

**Addresses key issues "Lawyer recruitment and retention" and "Moving to an outcomes-focused organization"; see pages 13 and 14.*

Performance measure	**Baseline**	**2006/07 Forecast**	**2007/08 Target**	**2008/09 Target**	**2009/10 Target**
Client satisfaction with LSS advice and representation services (survey every three years)	N/A	Develop survey	Set baseline	N/A	N/A
Tariff lawyer satisfaction with support provided by LSS (survey every three years)	68% (2003/04)	72%	N/A	N/A	TBD

Goal 4

Strategic and sustainable management of staff capacity and LSS services to meet the legal needs of people with low incomes.

Objectives

- Facilitate ongoing resource capacity management.
- Develop a process for implementing legal aid renewal in BC.

Strategies	Timeline 2007/08	2008/09	2009/10
Implement a capacity management strategy.			
Create and implement an organizational development strategy.			
Complete implementation of recommendations from 2004/2005 employee engagement survey.			
Develop and implement a corporate reporting framework.			
Develop and implement a knowledge management strategy.			
Develop and implement an enterprise risk management strategy.			
Define and coordinate a process for determining desired legal aid client outcomes.*			
Support managers to establish performance measures and reporting for strategic objectives.*			

****Addresses key issue "Moving to an outcomes-focused organization"; see page 14.***

Performance measure	**Baseline**	**2006/07 Forecast**	**2007/08 Target**	**2008/09 Target**	**2009/10 Target**
Overall LSS employee engagement score (survey every three years)	72% (2004/05)	N/A	77%	N/A	N/A

Goal 5

Effective management of LSS expenditures.

Objectives

- Strengthen policy compliance.
- Use technology to streamline processes and provide innovative services.
- Improve financial forecasting.
- Improve quality of tariff services.

Strategies	**Timeline**		
	2007/08	2008/09	2009/10
Implement an information technology strategy to address long-range IT requirements.			
Implement audit strategy.			
Develop and implement an internal review plan.			
Review budget process to improve accuracy of financial results.*			
Define, develop, and implement a quality control program in a results-based environment.			

******Addresses key issue "Budget variance"; see page 13.*

Performance measure	**Baseline**	**2006/07 Forecast**	**2007/08 Target**	**2008/09 Target**	**2009/10 Target**
Actual to budget variance	3.9% (2005/06)	2.0%	1.5%	1.5%	1.5%

“Thank you for helping me do in a few minutes what I couldn't do on my own.”

Client of a legal information outreach worker

Alignment with Government and Stakeholders

The provincial government's vision for BC, as set out in its *Strategic Plan 2006/2007–2008/2009*, is "to be a prosperous and just province, whose citizens achieve their potential and have confidence in the future." The plan also outlines the government's "five great goals for a golden decade," and explicitly recognizes that ensuring that all British Columbians have access to a fair and efficient system of justice is one of the foundations upon which these goals can be achieved.

LSS and its services advance both the vision and the third goal: "To build the best system of support in Canada for persons with disabilities, special needs, children at risk, and seniors." The society's work also advances the objectives of the ActNow BC campaign, and it contributes to the New Relationship with Aboriginal People being developed by the Ministry of Aboriginal Relations and Reconciliation.

Supporting justice

The society supports the government's vision and its third goal by providing services that respond to the special legal needs of people with low incomes. LSS makes legal information, education, advice, and representation available, taking steps to ensure that intermediaries, as well as potential clients, are aware of these services. LSS also collaborates with a wide range of justice system partners and other stakeholders to provide innovative, cost-effective services to enhance access to the justice system for our clients. The society's work to make legal aid services responsive and accessible also aligns with the government's initiative to adopt a citizen-centred approach to service delivery, as outlined in its strategic plan.

In addition, LSS provides the Attorney General with information and expert advice about legal aid. The society also participates in justice reform activities and legal research as a way of ensuring that justice system decisions and changes address the legal needs of people with low incomes. In the Ministry of Attorney General's *2006/2007–2008/2009 Service Plan*, the ministry states that an effective and trusted justice system is not only essential to a successful democracy, it also provides the foundation for the economic growth necessary to support all of the government's goals. The society's public legal education and information services, as well as its campaign to increase awareness of legal aid, should enhance public confidence in and understanding of BC's justice system.

Legal aid clients are some of BC's most vulnerable citizens. Many of them experience compromised employment, education, and social support networks, which in turn place them at increased risk for chronic disease. The society's outreach services, as well as other legal aid services, strengthen individual and community capacity to resolve legal problems that create additional

barriers to leading healthy, productive lives. This work supports one of the goals of the government's extensive health prevention program, ActNow BC: "to build community capacity to create healthier, more sustainable and economically viable communities."

LSS also helps advance the New Relationship with Aboriginal People through its ongoing provision of legal aid services targeted at BC's Aboriginal communities. Responding to research that documents significant gaps in legal services for Aboriginal people in the province, LSS is working in partnership with Aboriginal communities to develop and provide critical legal aid services to fill unmet needs. By helping Aboriginal people resolve their legal problems, LSS promotes social justice and economic self-sufficiency; by working to close the justice gap, LSS will help to narrow the socio-economic gap.

Alignment with goals of other stakeholders

LSS works closely with its partners in the justice system to seek cost-effective ways of meeting the legal needs of people with low incomes while also advancing the goals of stakeholders. LSS acknowledges the support and collaboration of the Ministry of Attorney General, the Notary Foundation of BC, the Law Foundation of BC, and Justice Canada. Funding from each of these partners is used to support the society's legal information, education, advice, and representation programs. In turn, LSS services contribute to the desired outcomes of these stakeholders:

Ministry of Attorney General

1. A ministry that is a leader in law reform and innovative justice processes.
2. An effective criminal justice system.
3. Effective civil and family justice systems.
4. Effective legal services enabling government to administer public affairs in accordance with the law.

Law Foundation of BC

The rule of law and a just society are advanced and promoted.

Notary Foundation of BC

Legal education and research and legal aid are available.

Justice Canada

The Minister of Justice is supported in working to ensure that Canada is a just and law-abiding society with an accessible, efficient, and fair system of justice.

LSS summary financial outlook 2006–2010 *(in millions)*

	2005/06 Actual	2006/07 Latest forecast	2007/08* Budget	2008/09* Forecast	2009/10* Forecast
Revenue					
Government of BC grant	$ 62.0	$ 62.4	$ 63.4	$ 63.7	$ 64.1
Federal Investment Fund (includes large federal cases)	2.9	3.3	3.3	3.3	3.3
Law Foundation	3.7	3.7	3.7	3.7	3.7
Notary Foundation	1.2	2.2	1.5	1.5	1.5
Other	1.4	1.6	1.6	1.6	1.6
Total revenue	**71.2**	**73.2**	**73.5**	**73.8**	**74.2**
Expenses					
Tariff	46.5	51.1	53.3	54.0	54.2
Client liaison	7.6	8.4	8.4	8.7	8.6
Public legal education and information	1.9	1.9	1.7	1.6	1.7
Federal Investment Fund initiatives	1.4	2.2	3.3	3.3	3.3
Other	9.3	7.6	7.7	7.7	7.9
Total expenses	**66.7**	**71.2**	**74.4**	**75.3**	**75.7**
Net income (deficit)	**$ 4.5**	**$ 2.0**	**$ (0.9)**	**$ (1.5)**	**$ (1.5)**
Horizon initiatives	**–**	**–**	**$ (1.9)**	**$ (1.5)**	**$ (1.4)**
Total (deficit plus horizon initiatives)	**–**	**–**	**$ (2.8)**	**$ (3.0)**	**$ (2.9)**
Full-time equivalents	**179.9**	**192.1**	**192.1**	**192.1**	**192.1**

Note: The LSS board has directed that the unrestricted accumulated surplus be reserved to address key risks and strategic priorities.
*Government of BC funding for the years 2008/2009 and 2009/2010 is not yet confirmed.

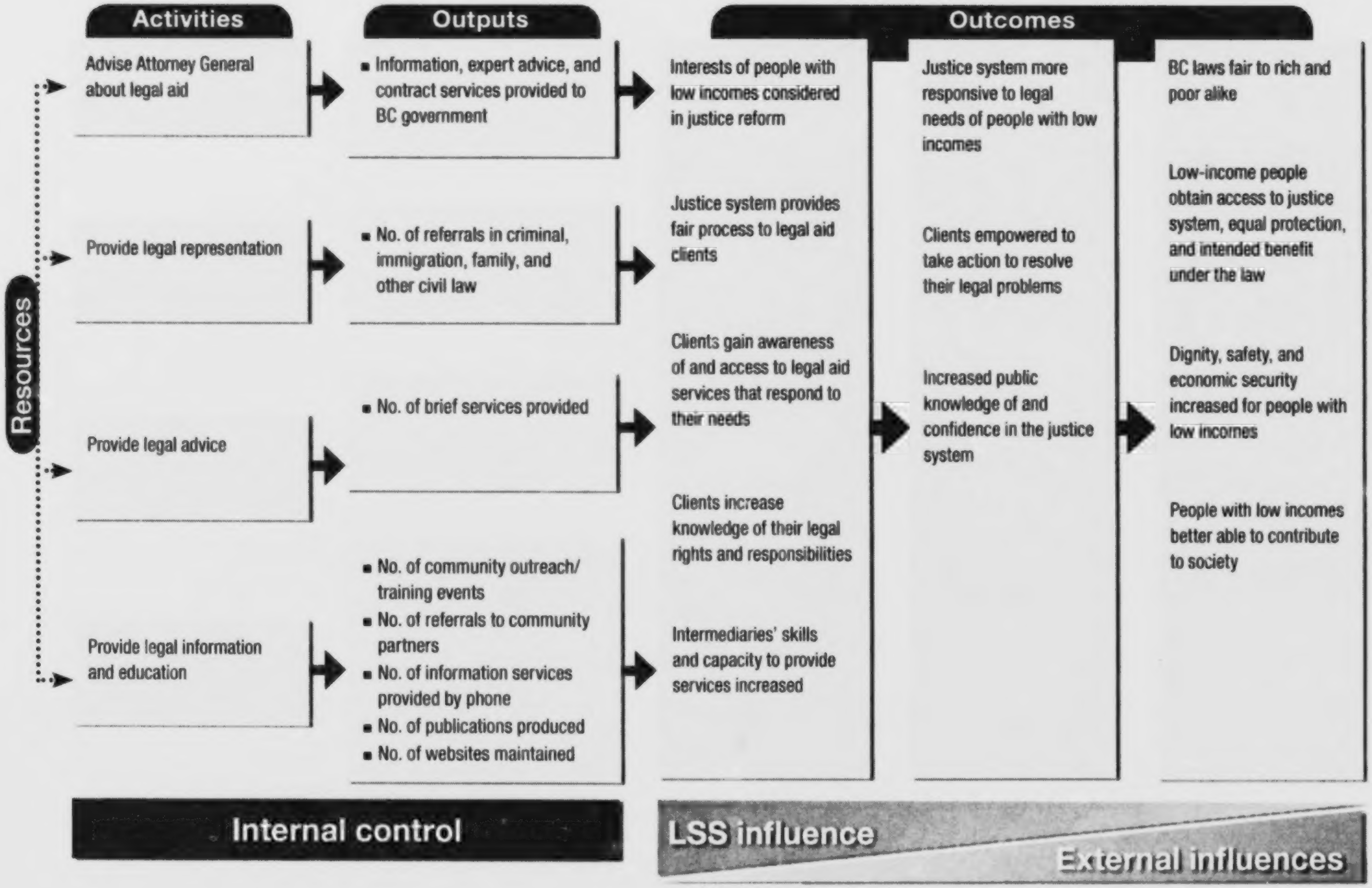
Key assumptions

- Support from the Federal Investment Fund will be extended through 2007/2008, 2008/2009, and 2009/2010 in the amount of $2.6 million per year.
- No material change will occur in the number of cases prosecuted by the province.
- No material changes will be made to the Memorandum of Understanding.
- The cost of labour contract settlements will be funded by the province of BC.
- No provision has been made for cost increases as a result of the changes to the Criminal Code by the Government of Canada.

Forecast: risks and sensitivities

- Unanticipated increases in the volume or average cost of cases, including increases from the Federal Criminal Code changes.
- Cancellation of support from the Federal Investment Fund.
- The costs and/or timing of exceptional cases.
- Changes in interest rates affecting the investment return and funding from the Notary Foundation.
- Inflationary pressures.
- 2008/2009 and 2009/2010 forecasts do not represent an accurate forecast of revenue and expenditures, as they are largely extrapolated from the 2007/2008 budget. The cost and scope of services are expected to change over a three-year period.

LSS Logic Model



Resources

Activities

- Advise Attorney General about legal aid
- Provide legal representation
- Provide legal advice
- Provide legal information and education

Outputs

- Information, expert advice, and contract services provided to BC government
- No. of referrals in criminal, immigration, family, and other civil law
- No. of brief services provided
- No. of community outreach/ training events
- No. of referrals to community partners
- No. of information services provided by phone
- No. of publications produced
- No. of websites maintained

Outcomes

Interests of people with low incomes considered in justice reform

Justice system provides fair process to legal aid clients

Clients gain awareness of and access to legal aid services that respond to their needs

Clients increase knowledge of their legal rights and responsibilities

Intermediaries' skills and capacity to provide services increased

Justice system more responsive to legal needs of people with low incomes

Clients empowered to take action to resolve their legal problems

Increased public knowledge of and confidence in the justice system

BC laws fair to rich and poor alike

Low-income people obtain access to justice system, equal protection, and intended benefit under the law

Dignity, safety, and economic security increased for people with low incomes

People with low incomes better able to contribute to society

Internal control

LSS influence

External influences

The Legal Services Society is funded primarily by the provincial government. The society also receives grants from the Law Foundation and the Notary Foundation, and a contribution from the Department of Justice Canada (Legal Aid Renewal Fund).

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FOUNDATION
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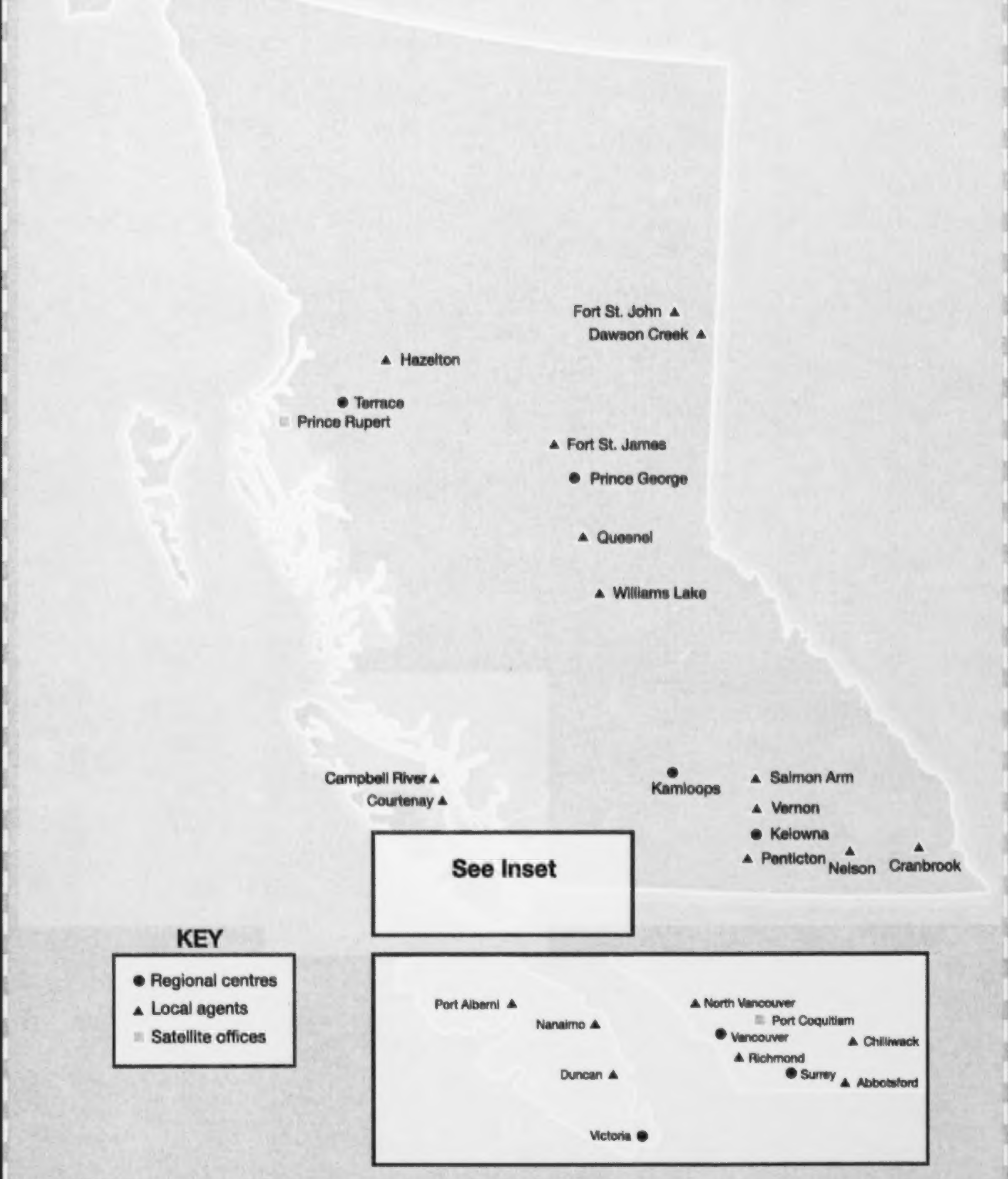
Department of Justice
Canada

Ministère de la Justice
Canada

Map of Legal Aid Offices


Fort St. John ▲
Dawson Creek ▲
▲ Hazelton
● Terrace
▨ Prince Rupert
▲ Fort St. James
● Prince George
▲ Quesnel
▲ Williams Lake
Campbell River ▲
Courtenay ▲
● Kamloops
▲ Salmon Arm
▲ Vernon
● Kelowna
▲ Penticton
▲ Nelson
▲ Cranbrook
See Inset
KEY
● Regional centres
▲ Local agents
▨ Satellite offices
Port Alberni ▲
Nanaimo ▲
Duncan ▲
Victoria ●
▲ North Vancouver
▨ Port Coquitlam
● Vancouver
▲ Richmond
● Surrey
▲ Chilliwack
▲ Abbotsford

January 2007

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Oil and Gas Commission

2007/08-2009/10 Service Plan

BRITISH
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OGC

Letter from the Board Chair to the Minister of Energy, Mines and Petroleum Resources

On behalf of the board of directors, management and staff of the Oil and Gas Commission of British Columbia, I am pleased to submit this Service Plan for fiscal 2007/08 to 2009/10.

During 2005/06, the Oil and Gas Commission continued to work in close collaboration with First Nations, communities, industry, partner ministries and government agencies in regulating one of this Province's most important resources. The past year has been a notable one in many respects.

Faced with record industry growth, new technology demands, competitive labour markets and a desire to forge new working agreements with First Nations, the Commission realized a number of key achievements.

New Memorandums of Understanding regarding consultation processes were successfully completed with Treaty 8 First Nations marking a significant achievement in meeting the needs of First Nations, government and industry. Pursuing a creative and open dialogue resulted in agreements that are increasingly inclusive and forward thinking for all parties.

A record year for industry investment that culminated in the processing of a record 1,943 well applications required the Commission to search out new operational efficiencies. The management team targeted the task of reducing employee turnover by focusing efforts on recruitment, retention and increased training. Further efficiencies will be realized as the Commission completes the first major milestone of its information technology restructuring this spring. This year also saw the Commission partner with FrontCounter BC to deliver expanded provincial resource sector services through the Fort St. John Commission office.

All of these steps improved the Oil and Gas Commission's ability to carry out its mandate, and better position the organization to meet the new challenges presented by the constantly changing oil and gas sector and the expanding geographic scope of industry activity across the Province.

Looking forward, we see that after many years of unprecedented growth, exploration activity levels are predicted to decline slightly in 2007/08. While what is expected to be a short term correction does present additional challenges, it also provides opportunities to pursue continued process improvements and prepare for future expansion in the sector.

The Oil and Gas Commission remains committed to delivering ongoing improvement across its core functions. The six goals defined in this and previous service plans are intended to address that commitment and contribute to meaningful engagement, efficient processes and balanced outcomes. The board and management are confident that the targeted outcomes will benefit Oil and Gas Commission communities, First Nations, industry and British Columbians as a whole – and help to fully realize the tremendous potential that the Province's oil and gas resources represent.

This Service Plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act.* I am accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and overall strategic plan. All significant assumptions, policy decisions, and identified risks, as of January 15, 2007, have been considered in preparing the plan. I am accountable for ensuring the Oil and Gas Commission achieves the specific objectives identified in the plan and for measuring and reporting on actual performance.

Greg Reimer
Board Chair

January 15, 2007

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Organizational Overview

The Oil and Gas Commission (OGC) is an independent single-window regulatory agency with responsibilities for overseeing oil and gas operations including exploration, development, pipeline transportation, and reclamation.

Created as a Crown Corporation through the enactment of the *Oil and Gas Commission Act*, this regulatory model was designed to provide a streamlined and efficient one-stop regulatory agency. Regulatory responsibility is delegated to the OGC through the *Petroleum and Natural Gas Act, Pipeline Act, Forest Act, Forest Practices Code Of B.C. Act, Heritage Conservation Act, Land Act, Environmental Management Act*, and *Water Act*. The cost of operating the OGC is funded through the application of industrial fees and levies on a cost recovery basis.

The regulatory responsibility of the OGC extends from the exploration and development phases, through to facilities operation and ultimately decommissioning. It is charged with balancing a broad range of environmental, economic and social considerations. As a Crown Corporation, the OGC's accountabilities extend to affected communities, First Nations, client companies and their representative associations. Among its more specific objectives are public safety, conservation of petroleum resources, fostering a healthy environment, and ensuring equitable participation in production.

The OGC practices its vision *"to be the innovative regulatory leader, respected by stakeholders, First Nations and clients."*

The OGC's core roles include:

1. *Assessing applications* for oil and gas activities, and issuing approvals when appropriate;
2. *Ensuring industry compliance* with legislative, regulatory and permit-specific requirements, in part through inspections and other monitoring and enforcement activities; and
3. *Actively consulting* with First Nations on applications and operations.

The OGC is delegated the duty to consult with First Nations on a project by project basis. Project consultation seeks to gain knowledge regarding traditional land use and potential impacts to Treaty or aboriginal rights. The goal is to enhance the OGC's knowledge and decision making abilities while ensuring that rights are not unduly impacted. The OGC is guided in the consultation process by agreements with the Treaty 8 First Nations.

Maintaining positive relationships with the broader community ensures that local values are captured in the operations, actions and responsibilities of the OGC. The broader community includes local and regional governments, landowners, non-government organizations, community groups and others.

The OGC operates out of four locations; Fort St. John, Fort Nelson, Kamloops and Victoria. The OGC has 154 staff, two thirds of whom are located at the headquarters in Fort St. John. Field staff are also located in offices in Fort Nelson and Kamloops. Victoria hosts the Resource Conservation Branch, Technical Services and Regulatory Affairs Branch and the Executive Office.

The OGC has two divisions, each of which has specialized branches:

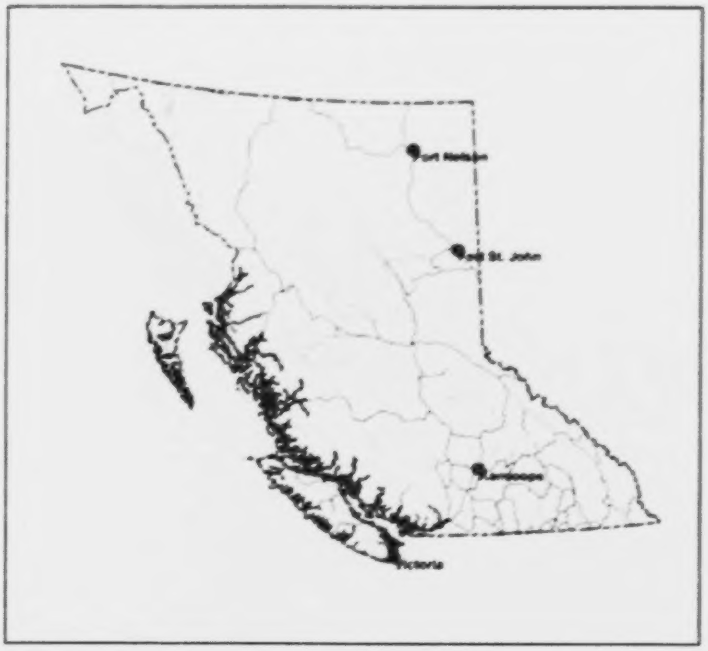
Operations Division

- Project Assessment and Compliance Assurance Branch (PACA) which includes application review and enforcement activities
- Operations Engineering Branch
- Resource Conservation Branch
- Technical Services & Regulatory Affairs Branch (TSRA) which includes aboriginal relations and archaeology
- FrontCounter BC

Business Services Division

- Finance & Administration Branch, Advisory Committee administration, and SCEK Fund administration
- Information Systems Branch including the IT Migration Plan
- Corporate Compliance Branch including strategic planning, performance reporting and risk management

In the face of rapidly fluctuating pressures, generated by the geographical and operational increases in oil and gas activity, the Commission adopted a new structure that combines the functions and responsibilities of the Project Assessment Branch and the Compliance and Enforcement Branch. This innovative approach is designed to allow more streamlined communication among parties involved, to reduce processing timelines and to enhance inspection and compliance ability.



A board of directors provides strategic direction to the OGC, and ensures that appropriate plans, programs and capacities exist to achieve the organization's goals. The board approves budgets, performance targets and service plans. It has responsibility for ensuring accurate financial reporting and adherence to appropriate policies and procedures.

The board has three members. The Deputy Minister of the Ministry of Energy, Mines and Petroleum Resources is the board chair. The Commissioner of the OGC is the board vice-chair. The third director is appointed by the Lieutenant Governor in Council. Each director has defined duties. The board's audit committee is chaired by the third director, and includes the board chair and the Executive Director, Business Services Division as an ex-officio member.

The recently introduced Governance and Human Resources Committee (GHRC) provides direction on governance matters and sets the overall compensation strategy. It is composed of the board chair, the independent board member, and two ex-officio members, the Executive Director, Business Services Division and the Director of Human Resources.

The OGC receives further guidance through formal advisory structures including an Advisory Committee appointed by government that provides advice on a broad range of matters.

This Advisory Committee is an eight-member working group that meets four times a year. The members provide strategic organizational and operational advice and issue an annual report to the Minister. While members do not have decision-making or statutory authority, they play an important role in providing recommendations for Alternative Dispute Resolution.

Appointments to the Committee are for four years and are staggered to allow for continuity within the Committee. The Commissioner of the OGC and a staff member of the Ministry of Energy, Mines and Petroleum Resources act as ex-officio members.

Some of the specific accountabilities of the Advisory Committee as described in the *Oil and Gas Commission Act* are to:

- provide advice and make recommendations to the Commission as to the fulfillment of the Commission's purposes and its adherence to outlined responsibilities,
- anticipate and identify environmental, economic and social issues arising out of the Commission's operations,
- review the Commission's operating plans and audited financial statements,
- assist the Commission to develop short and long term operating plans.

Another important advisory committee to the OGC is the joint OGC-industry Practice Advisory Group (PAG) composed of approximately 60 volunteers representing industry, clients, and government. The PAG structure consists of a steering committee and eight sub-committees. Each sub-committee has a Chairman and a maximum of eight members, as well as an unlimited number of associate members. The sub-committees address relevant issues, concerns, suggestions, and recommendations submitted to PAG and develop issue papers for submission to the Commission.

The OGC participates in provincial regulatory development issues through the ministry-led Best Practices Working Group comprised of government and industry representatives.

Strategic Context

Our Vision is:

To be the innovative regulatory leader, respected by stakeholders, First Nations and clients.

Our Mission is:

To regulate oil and gas activity:

- *through fair, consistent, responsible and transparent stakeholder engagement;*
- *for the benefit of British Columbians; and*
- *by balancing environmental, economic and social outcomes.*

Our Core Values are:

- *We are truthful and do our duty above all else in the performance of our responsibilities.*
- *We continually strive to strengthen relationships with our stakeholders, First Nations, clients, and co-workers by being open and demonstrating integrity.*
- *We are accountable through our service plan.*
- *We are flexible, innovative, and proactive.*
- *We are socially and environmentally responsible.*
- *We will measure our performance and strive for excellence.*
- *We embrace change that enables personal and organizational growth.*
- *We promote a positive and rewarding work environment.*

Our Key Success Factors are:

- *Upholding our core values*
- *Understanding and focusing on core services*
- *Building and sustaining competence within the organization*
- *Anticipating and responding to short and medium-term demands for the services of the organization*
- *Staying close to communities, clients, and stakeholders*
- *Recognizing barriers and developing initiatives to close performance gaps*
- *Aligning and focusing organizational energy on achieving performance targets*
- *Continuously improving business processes and technological support*

Planning Context and Strategic Issues

The OGC is the Provincial oil and gas regulatory agency within a dynamic and rapidly changing industry sector. It has a broad and diverse client base, and its core services impact upon issues and initiatives in which there is often a high degree of public interest. The energy sector is also an important focal point in terms of economic strategy and broader government policy.

Accordingly, there are a variety of key strategic imperatives – capacity issues, risks and opportunities – that have a significant bearing on the organization's plans and performance.

OGC revenues can be heavily influenced by uncontrollable and unpredictable factors such as commodity prices, industry production fluctuations, the timing of winter freeze-up and spring break-up. There are, however, a number of strategic imperatives, the impact of which the OGC has the capacity to significantly influence and plan for.

Means by which such imperatives are identified include:

- ongoing industry and stakeholder consultation;
- monitoring current and projected industry activity;
- tracking of internal processes and performance;
- review of regulatory developments and best practices in other jurisdictions; and
- direction from government.

This service plan has been developed with particular reference to the interrelated imperatives noted on the following page. OGC responses to these imperatives are also briefly noted. These imperatives are deemed to be the ones with the greatest potential bearing on the OGC's ability to fulfill its mandate and deliver client, stakeholder and public benefits.

	Strategic Imperatives	OGC Responses
Capacity	*Responding to fluctuating activity levels:* Oil and gas is an important contributor to the Provincial economy. After reaching an all time peak in 2004/05, growth in exploration activity is expected to ease in 2007/08. Changes in types, (e.g. coal bed methane) and locations of activity are factors requiring consideration. Rapid technological change is fundamental to the industry and requires OGC staff to constantly train to stay abreast of new technology and methods.	• Implement Memorandums of Understanding with the Department of Fisheries and Oceans and Ducks Unlimited, to improve environmental standards • New organizational structure to increase the OGC's capacity • Accelerate business and process reviews and implement strategies to strengthen the OGC's ability to fulfill its role as regulator • Expanded OGC presence/capacities outside northeast BC • Continue process and system upgrades (e.g. e-commerce) • Implement the Risk Management Framework
Risk	*Recruitment and retention:* Even with the predicted adjustment in exploration activity the oil and gas sector is expected to remain a highly competitive employment market. The OGC is in direct competition with industry employers, who often pay higher compensation. The northern location where the bulk of operations occur presents additional recruitment challenges. Recruitment and retention success is a vital to maintaining organizational capacity, and underscores the importance of effective human resource strategies.	• Expand employee health and wellness programs e.g. Heart Smart • Accelerate employee development, training and career planning • Develop and maintain a strong Human Resources capacity • Work towards long-term solutions to our recruitment and retention challenges
Opportunity	*Modernize/refine legislative and regulatory framework:* Opportunities exist to broaden the OGC's regulatory mandate, and move towards a true single-window approach. A broader range of regulatory issues can also be effectively addressed through risk-managed and performance-based approaches, rather than prescriptive ones.	• Work with government and industry on the Oil and Gas Regulatory Improvement Initiative (OGRIII) • Development of "best management" practices • Continuously improved inter-agency coordination • Implement FrontCounter BC in Fort St. John

Of particular significance from a risk management standpoint is the OGC's ongoing development of a Risk Management System. The OGC has developed a framework to manage risks associated with key business processes, which will be integrated into the Commission's business plan going forward.

The OGC anticipates significant refinement to its legislative and regulatory framework resulting from the Oil and Gas Regulatory Improvement Initiative (OGRII). This is expected to culminate in new enabling legislation and enhanced regulatory efficiencies and outcomes.

The Oil and Gas Commission has defined six goals and associated objectives, strategies and performance measures which will continue to guide its activities over the next three fiscal years. Results will be reported in Annual Service Plan Reports.

The OGC's six goals are substantially consistent with those identified in previous service plans.

OGC Goals: 2006/07-2008/09

1. Improved public safety, protection of the environment, and conservation of petroleum resources.
2. Timely and informed decisions based upon the input we receive.
3. Strengthened relationships with stakeholders, First Nations and clients.
4. Modernized legislative and regulatory framework.
5. Personal-best performance environment for employees.
6. Financially self-sustaining organization.

There is a high degree of continuity with respect to objectives and strategies, although they have been updated to reflect the current status of key initiatives. There is also continuity of specific performance measures and targets, although they have been augmented in some respects:

- revised targets for performance measure in goal 5, "Budgeted Investment in training per employee" to more accurately reflect direction provided in the organizational recruitment and retention strategy
- removed performance measure in goal 6, "Cost per well application", in order to reassess the definition and methodology of this measure

The goals and performance measures have been selected with reference to:

- the OGC's legislative mandate;
- the OGC's mission, vision and values;
- specific policy direction from government;
- government's strategic plan; and
- stakeholder input through a variety of channels.

The goals and measures relate in a clear and direct way to the key strategic imperatives outlined on page 6 ("Planning Context"). Collectively, the pursuit of these goals will position the OGC to align its capacities with the scope of industry activities. Targets relating to assessment timelines and client satisfaction will measure its success in doing so. Specific goals and associated measures speak to legislative and human resources-related issues (goals four and five, respectively).

Management is confident that it has selected the most relevant suite of goals, and that it has defined closely connected and outcome-focused performance measures.

Management's confidence in the performance reporting systems is high. Compliance measures, for example, are based on clearly defined parameters and the professional judgment of experienced staff. Application assessment time measures are based on monthly information retrieval by an independent data professional. The following caveats are noted:

- In some instances, changes in tracking and reporting methodology limit availability of directly comparable historical baselines (e.g. number of inspections); and
- Methodological differences may limit the comparability of OGC performance measures with similar measures as tracked by industry (e.g. time to assess applications).

Recent performance benchmarks have been noted where sufficiently comparable ones are available (primarily relating to performance by the Alberta Energy and Utilities Board).

Goal 1

We will continually improve public safety, protection of the environment, and conservation of petroleum resources.

Enabling Legislation

***Oil and Gas Commission Act,* Section 3.**

"The purposes of the Commission are to:

a) regulate oil and gas activities and pipelines in British Columbia in a manner that:

  i) provides for the sound development of the oil and gas sector, by fostering a healthy environment, a sound economy and social well being,
  ii) conserves oil and gas resources in British Columbia,
  iii) ensures safe and efficient practices, and
  iv) assists owners of oil and gas resources to participate equitably in the production of shared pools of oil and gas…"

Objectives

1. Increase the number and nature of field inspections.
2. Work collaboratively with industry to improve compliance and risk management.

Strategies

1. Undertake risk and performance assessments, and identify appropriate preventative strategies.
2. Deliver educational and compliance programs to industry.
3. Implement the orphan site program as legislated by government.
4. Improve compliance-related data collection and expand compliance-related reporting.

Performance Measures			**Targets**		
	2005/06 Actual	**2006/07 Forecast**[1]	**2007/08 Target**	**2008/09 Target**	**2009/10 Target**
Major compliance – exploration and development [2] *Baseline:* 79% (2001/02) *Benchmark:* 97.7% (Alberta EUB, 2004) [3]	99.5%	93%[4]	94%	95%	96%
Major compliance – facility, operations [5] *Baseline:* 93% (2002/03) *Benchmark:* 97.7% (Alberta EUB, 2004) [6]	97.7%	95.2%	97%	97%	97%
Number of inspections *Baseline:* n/a [7]	4,361	5,100	4,370	4,990	4,990

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[1] 2006/07 forecast values generated January 2007.

[2] Compliance rates reflect the total number of individual inspection parameters found to be in-compliance, as a percentage of the total number of such parameters across all sites inspected. OGC is reviewing compliance reporting methodology.

[3] Percent of major and serious unsatisfactory incidents of noncompliance related to field inspection results, 2004 = 2.3%; Alberta Ministry of Energy 2004-05 Annual Report, p. 49.

[4] The OGC is working to improve the transparency of inspection results and accordingly, the methodology to calculate this metric has been adjusted. We invite any comments on how you feel the quality of this information can be improved.

[5] Compliance rates reflect the total number of individual inspection parameters found to be in-compliance, as a percentage of the total number of such parameters across all sites inspected.

[6] Percent of major and serious unsatisfactory incidents of noncompliance related to field inspection results, 2004 = 2.3%; Alberta Ministry of Energy 2004-05 Annual Report, p. 49.

Goal 2

We will make timely and informed decisions based upon the input we receive.

Enabling Legislation

***Oil and Gas Commission Act*, Section 3.**

"The purposes of the Commission are to:

> b) provide for effective and efficient processes for the review of applications related to oil and gas activities or pipelines, and to ensure that applications that are approved are in the public interest having regard to environmental, economic and social effects…"

Objectives

1. Maintain service levels and meet growth demands through the continuous improvement of people, processes and tools.
2. Combine community knowledge and science in all aspects of regulation.
3. Improve dispute resolution processes, procedures and outcomes.

Strategies

1. Complete process improvements and establish a "continuously learning" organization.
2. Create an electronic application system and program management tools.
3. Develop and implement an enhanced alternative dispute resolution program.

Performance Measure				**Targets**	
	2005/06 Actual	**2006/07 Forecast** [8]	**2007/08 Target**	**2008/09 Target**	**2009/10 Target**
Average number of calendar days to assess new applications *Baseline*: 32.71 calendar days (2001/02) *Benchmark:* 30 days (Colorado Oil and Gas Conservation Commission Strategic Plan) [9]	33.28	25	23	21	21

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[7] The OGC is moving towards a risk-based inspection system, which may result in fewer numbers of inspections overall in the future offset by an increase in the number of high risk inspections.

[8] 2006/07 YTD forecast made January 2007.

[9] Objective 2, "Expedite the processing of oil and gas well drilling, re-completion and disposal/enhanced recovery well permit applications"; measure 2, "Process all complete permit applications within 30 days"; http://oil-gas.state.co.us/

Goal 3

We will strengthen our relationships with stakeholders, First Nations, and clients.

Enabling Legislation

***Oil and Gas Commission Act,* Section 3.**

"The purposes of the Commission are to:

c) encourage the participation of First Nations and aboriginal peoples in processes affecting them, and

d) participate in planning processes, and

e) undertake programs of education and communication in order to advance safe and efficient practices and the other purposes of the commission.

Objectives

1. Improve extent and quality of engagement with stakeholders, First Nations, and clients.
2. Provide a dispute resolution model of appropriate scope.
3. Ensure appropriate consultation regarding application assessments.

Strategies

1. Regularly assess client and key stakeholder satisfaction with OGC.
2. Develop an appropriate suite of dispute resolution tools for stakeholders.
3. Review and update agreements and MOUs with First Nations and partner ministries and agencies.
4. Implement a timely abandonment and restoration program for oil and gas facilities.

Performance Measures			**Targets**		
	2005/06 Actual	**2006/07 Forecast** [10]	**2007/08 Target**	**2008/09 Target**	**2009/10 Target**
Percent of applications responded to by First Nations *Baseline:* 75.2% (2001/02)	83%	80%	84%	84%	84%
Client satisfaction *Baseline:* n/a	n/a%	n/a[11]	85%	85%	85%

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[10] 2006/07 forecast estimate made January 2007.

[11] Will be completed in Spring 2007.

Goal 4

We will participate in modernizing the OGC's legislative and regulatory framework.

Enabling Legislation

***Oil and Gas Commission Act*.**

Objectives

1. Enhance a comprehensive legislative and regulatory framework that enables improved and single-window delivery of services to industry.
2. Move towards performance-based regulation where appropriate, facilitating reliance on best-available technical information and wise-management practices.

Strategies

1. Support the Ministry of Energy, Mines and Petroleum Resources in the development of a new legislative and regulatory framework, and in consultations relating thereto.
2. Undertake internal business reviews and other processes necessary to facilitate the transition to a new legislative and regulatory framework.
3. Continually manage and improve MOUs with partner ministries and agencies, and ensure good communication with other levels of government.
4. Develop a suite of wise-management practices, facilitating site-specific approaches, for industry reference and use.
5. Determine where prescriptive regulatory approaches remain best suited to maintenance of safety, environment and conservation-related values.

Performance Measure				**Targets**	
	2005/06 Actual	**2006/07 Forecast** [12]	**2007/08 Target**	**2008/09 Target**	**2009/10 Target**
Number of agencies that industry clients must work with on oil and gas applications *Baseline:* 6 (1998/99)	2	2	1	1	1

---

[12] 2006/07 forecast value generated November 2006.

Goal 5

We will provide a personal-best performance environment for our employees.

Enabling Legislation

Oil and Gas Commission Act.

Objectives

1. Improve organizational flexibility and competitiveness as an employer.
2. Enhance employee capabilities and professionalism.
3. Enhance management and leadership capabilities.
4. Improve employee retention.
5. Improve organizational productivity.

Strategies

1. Work towards long-term solutions to our recruitment and retention challenges.
2. Conduct regular performance evaluation and planning for all employees and close identified performance gaps.
3. Provide appropriate training and development opportunities to support individual and organizational capacity development.
4. Conduct regular performance surveys on senior managers and close identified performance gaps.
5. Formally engage staff and management in the development of human resource strategies which facilitate recruitment and retention, and which contribute to a professional, collaborative and inspiring work environment.

Performance Measures				**Targets**	
	2005/06 Actual	**2006/07 Forecast** [13]	**2007/08 Target**	**2008/09 Target**	**2009/10 Target**
Percentage of employees with a performance plan and evaluation in place *Baseline:* 13% (2004/05)	76%	100% [14]	100%	100%	100%
Voluntary turnover rate of regular staff *Baseline:* 11.3% (2000/01) *Benchmarks:* 2.6% (BC Government, 2005/06); 5.4% (AEUB, 2004/05)	21.95%	12.5%	9%	8%	7%
Budgeted investment in training per employee	n/a	$2,650	$3,000	$4,000	$4,000

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[13] 2006/07 value forecast November 2006 based on year-to-date data.

[14] 2006/07 value forecast November 2006 based on year-to-date data.

Goal 6

We will operate as a self-sustaining organization.

Enabling Legislation

Oil and Gas Commission Act.

Objectives

1. Achieve targeted financial results.
2. Minimize working capital pressures.
3. Ensure that prudent risk management practices are in place.

Strategies

1. Generate sufficient revenue to cover OGC costs.
2. Ensure sufficient working capital to manage unexpected fluctuations.
3. Fully implement the Risk Management Program.
4. Introduce an improved financial information system.
5. Continue to identify opportunities for efficiencies through process reviews.

Performance Measures				**Targets**	
	2005/06 Actual	**2006/07 Forecast**[15]	**2007/08 Target**	**2008/09 Target**	**2009/10 Target**
Ratio between fees and levies *Baseline:* 66:34 (2003/04)	n/a	55:45	56:44	56:44	56:44
Percentage of costs recovered by revenue *Baseline:* n/a (new measure)	106%	98.5%	100%	100%	100%

---

[15] 2006/07 value generated November 2006 based on year-to-date data.

Alignment with Government's Strategic Plan

The OGC conducts itself in a manner that is consistent with government's core values of integrity, fiscal responsibility, accountability, respect and choice. There is a strong alignment between OGC activities – and the pursuit of the specific goals defined in this service plan – and government's overarching vision, which is:

> *To be a prosperous and just province, whose citizens achieve their potential and have confidence in the future*

There is also a strong alignment between OGC activities and goals, and two of government's Five Great Goals for the decade ahead:

> *To lead the world in sustainable environmental management*

Sustainable environmental outcomes are key criteria across all of the OGC's core service areas. They are central elements of the application assessment, compliance and enforcement and resource conservation functions. Advancing the quality of environmental outcomes through, for example, the application of traditional knowledge – is also a key element of the First Nations consultation function. With its regulation of an important and growing natural resource sector, the OGC makes a significant contribution to the pursuit of sustainable environmental management throughout British Columbia.

> *To create more jobs per capita than anywhere else in Canada*

One of the key objectives of timely and single-window regulation is to ensure that industry is not unduly inhibited in its ability to respond to opportunities, and to achieve optimal levels of productivity and growth. A regulatory environment of this type fosters employment growth within the oil and gas sector. By providing such regulation within one of British Columbia's most dynamic economic sectors, the OGC makes a significant contribution to job creation.

Summary Financial Outlook

($000)	2005/06 Budget	2005/06 Actual	2006/07 Budget	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate
Revenue						
Fees	14,982	16,605	17,909	15,640	16,547	17,507
Levies	11,173	11,415	14,693	14,003	14,003	14,003
Misc.	50	1,709	545	1,025	1,025	1,087
Total Revenues	**26,205**	**29,729**	**33,147**	**30,668**	**31,606**	**32,597**
Expenses						
First Nations	9,940	11,108	11,600	9,860	10,432	11,037
Salaries/Benefits	10,497	10,078	13,303	14,048	14,399	14,759
Operating expenses	5,416	6,776	6,533	7,824	8,059	8,300
Total Expenses	**25,853**	**27,962**	**31,436**	**31,732**	**32,890**	**34,097**
Operating Income (Loss)	**352**	**1,767**	**(95)**	**(1064)**	**(1,284)**	**(1,499)**
Amortization of Contributed Assets	95	95	95	95	95	95
Net Income (Loss)	**447**	**1,862**	**0**	**(969)**[16]	**(1,189)**	**(1,404)**
Full Time Equivalents	140	154	154	154	154	154
Capital Expenditures	452	826	1,716	1,382	1,423	1,466
Linking Goals with Required Resources						
Goal 1	3,874	4,214	5,287	5,468	5,614	5,765
Goal 2	3,395	3,539	4,441	4,593	4,716	4,843
Goal 3	1,957	2,191	2,749	2,843	2,920	2,998
Goal 4	2,381	2,360	2,961	3,062	3,144	3,228
Goals 5 & 6	4,306	4,551	5,710	5,905	6,064	6,226
Total Required Resources (Direct Operating Costs: Total Expenses less First Nations payments)	**15,913**	**16,854**	**21,147**	**21,872**	**22,458**	**23,060**

Key Assumptions

- New well applications are 1,700, 1,800, 1,900
- Gas volumes are $28.5 \times 10^9 m^3$, $28.5 \times 10^9 m^3$, & $28.5 \times 10^9 m^3$ (Ministry of Energy, Mines and Petroleum Resources).
- Oil volumes are $1.26 \times 10^6 m^3$, $1.26 \times 10^6 m^3$, & $1.26 \times 10^6 m^3$ (Ministry of Energy, Mines and Petroleum Resources).
- Gas prices remain in excess of $5/MCF.
- Estimated salaries increase 3.0%, 2.5%, 2.5%
- Inflation estimated at 3.0%
- The following levies and fee are implemented:

	2006/07	2007/08	2008/09	2009/10
Gas Levy:	46¢	46¢	46¢	46¢
Oil Levy:	92¢	92¢	92¢	92¢
Well Fee:	$8,700	$8,700	$8,700	$8,700

Forecast Risks and Sensitivities

- Commodity price and production fluctuations
- Weather
- Exploration activity

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[16] The estimated deficit for 2007/08 will be funded from cash reserves.

Major Capital Projects Information

Not Applicable to the Oil and Gas Commission

Operating Segments Summary Information

Not Applicable to the Oil and Gas Commission

Confidentiality

No information in this Service Plan is deemed to be confidential.

Contact Information

For general information about the Oil and Gas Commission, you can contact us at:

Phone	(250) 261-5700
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For more information regarding this Service Plan, please contact:
Jim Sproul, Executive Director, Business Services, at (250) 356-2707.

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partnerships
British Columbia

2007/08 – 2009/10

SERVICE PLAN

For more information on Partnerships British Columbia Inc., contact us at
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Message from the Chair

We are pleased to present the service plan for Partnerships British Columbia Inc. (Partnerships BC) for the period April 1, 2007 to March 31, 2010. The plan outlines the company's goals and plans for the next three fiscal years.

After its fourth full year of operation, the company has established itself as a North American leader in structuring and implementing public private partnerships. There are currently 21 partnership projects either in operation or under construction in British Columbia. These projects have a total capital value of $4.7 billion, of which $3 billion is private capital. Each of these projects is on schedule and on budget and are expected to realize significant value for taxpayer dollars. Each of these projects has achieved success in an extremely active construction market environment in British Columbia. In addition, Partnerships British Columbia has another 20 projects in the planning stage

In January 2006, the Britannia Mine Water Treatment Plant became operational, and in August 2006, the new Gordon and Leslie Diamond Health Care Centre was open to receive patients. Moreover, this fiscal year, a wide range of new projects reached agreements and entered the construction phase including: the Kicking Horse Canyon (Phase Two), the William R. Bennett Bridge, the Sea-to-Sky Highway Improvement Project, the Charles Jago Northern Sport Centre; the Vancouver Island Health Authority and Northern Health Authority residential care and assisted living projects; the Pitt River Bridge and the Vancouver Coastal Health Authority strategic partnership to deliver Primary Care Access Centres. Many of these projects have received national and international acclaim – British Columbia projects have now received nine national and international awards of recognition for excellence.

The diversity, innovation, risk transfer and cost-effectiveness of these projects is providing concrete evidence of the benefits of the public private partnership approach and of the success of the Partnerships BC delivery model. The accumulated expertise now resident in British Columbia - within Partnerships BC, government, and the business sector, together with the development of best practices in procurement - have led to the building of a platform of experience in our province. The government has responded to this success by creating a new capital standard. The application of the new capital standard will further lever expertise and the use of best practices across the British Columbia public sector - in transportation, health care, advanced education, local government, K-12 education and other sectors that will assist in providing much needed infrastructure in our fast-growing province.

While creating new partnership opportunities is a focus of Partnerships BC, the benefits to the public and quality of each partnership is of paramount importance. The Company places priority in developing and maintaining high standards of client service and public disclosure; upon developing the public private partnership market; upon the recruitment and retention of an experienced core of professionals; and upon the implementation of sound operational systems to meet governance and financial accountability requirements. In addition, Partnerships BC will continue to develop and refine its approach to quality assurance throughout its entire product development and client relations process, and to increase efficiency and productivity.

The 2007/08 Service Plan continues to be focused on achieving value for money for the public by:

- Ensuring timely and cost-effective delivery of major capital projects.
- Ensuring competition and innovation in procuring major capital assets.
- Transferring appropriate risks to the private sector.
- Maintaining fair, open and transparent procurement processes.
- Expanding the use of performance standards in government and serving the public interest by maintaining these standards on an ongoing basis.
- Attracting international expertise and capital to British Columbia.

In 2007/08, Partnerships BC will continue to work with agencies in other provinces and with the Federal government to create an attractive and effective pan-Canadian market environment. The development of this market has been very significant over the past year as Canadian agencies have realized the benefits of cooperative action and information exchange.

Partnerships BC is demonstrating positive results on a sustainable basis; recognizing that with even more experience there remains considerable potential for greater achievement. Our success to date is the result of our team of skilled professionals with oversight by our diverse and experienced Board of Directors. I would like to acknowledge the retirement of two of our Directors who have reached their term of appointment, Carol Stephenson and Jim Dinning, and I would like to recognize their very significant contributions and service.

Partnerships BC's 2007/08 – 2009/10 Service Plan was prepared under the direction of the Board of Directors in accordance with the *Budget Transparency and Accountability Act*. The Board approves performance measures and targets and holds management accountable for the contents of the plan, the achievement of performance measures and targets, and for ensuring that Partnerships BC achieves its specific objectives identified in the plan. The plan is consistent with the Government's strategic priorities and overall service plan. All significant assumptions, policy decisions, and identified risks as of February 2007 have been considered in preparing the plan.

Sincerely,

Rick Mahler
Chair

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Introduction

Public private partnerships are a procurement alternative within the Provincial government's strategy for delivering capital assets. They can provide an opportunity to improve and modernize public services infrastructure while delivering benefits, both financial and qualitative, to British Columbians.

Partnerships are contractual arrangements between government agencies and business partners, combining the best of both partners' experience and expertise, and allocating project risks to the partner best able to manage them.

The overriding objective in pursuing a partnership is value for money. Research has shown that partnerships deliver projects on time and on budget, at optimal lifecycle costs, and serve the public interest. The Provincial government achieves more effective procurement, service enhancements and innovation, cost savings and risk transfer, while retaining responsibility for public service delivery and the public interest .

The Province of British Columbia's Capital Asset Management Framework (CAMF) requires public sector agencies to consider all potential ways to meet their service delivery goals, and to choose the method that meets those goals most effectively. Along with traditional methods, agencies are required to consider creative approaches such as leveraging assets, making better use of existing facilities, seeking more efficient ways of delivering public services, and pursuing options such as public private partnerships. Public agencies need to make investment and procurement decisions which provide the best value for taxpayer dollars.

Building on the successes of partnership projects and the platform of experience in British Columbia to date, the Province introduced a new capital standard for projects in late 2006. Under this new capital standard, where the Province contributes more than $20 million to a project a partnership approach will be considered the base case for procurement in a business case, and becomes the preferred option unless there is a compelling reason to do otherwise.

The new capital standard will continue to impose a discipline for good business planning to deliver best value for British Columbia's taxpayers on capital projects. Partnerships BC's has a central role in supporting the Province and Partnership BC's clients in applying the new capital standard. It is an opportunity for the company to lever its expertise and apply best practices in business planning and procurement - building on the platform of success developed over the last four years. Partnerships BC has assessed the implications of the new capital standard in developing its 2007/08–2009/10 Service Plan.

British Columbia continues to be on the leading edge of the development of partnership projects. A growing economy, a strong policy foundation, and the advantage of learning from the public private partnership experience in other jurisdictions positions British Columbia favourably to enable optimal investment in public capital projects. Moreover, the need for many different forms of public infrastructure has resulted in the application of a number of partnership models, including service contracts and lease arrangements.

Organizational Overview

Partnerships BC was created in May 2002 to support the Provincial government's strategic plan to deliver public services effectively and affordably. The company's vision is to be the Province's centre of expertise for evaluating, structuring and implementing *public private partnerships* which serve the public interest. Partnerships BC is committed to commercial viability, transparent operations, and achieving excellence through innovation, leadership and expertise in public procurement.

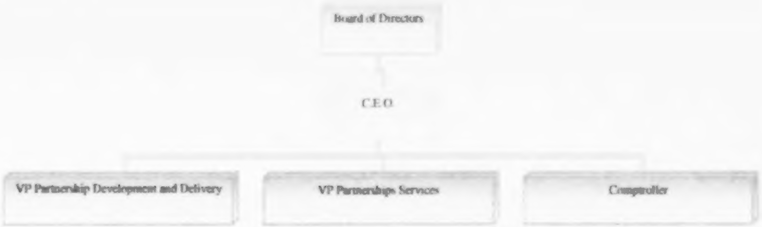
Partnerships BC is a company owned by the Province of British Columbia (the Province) and governed by a Board of Directors reporting to its shareholder, the Province, as represented by the Minister of Finance. The company is incorporated under the *British Columbia Business Corporations Act* and its core business is to:

- Provide expert services to the Provincial government and its agencies in the procurement of major public projects, ranging from advice to business transaction and procurement management, to overall project management.
- Identify and evaluate new opportunities to enhance the effectiveness of major capital asset procurement through public private partnerships.
- Foster a business and policy environment for successful public private partnerships by offering a centralized source of knowledge and best practices, understanding, expertise and practical experience in partnership projects.
- Manage an efficient and leading edge organization that meets or exceeds performance expectations.

The company's primary clients are public sector agencies, including ministries, crown corporations, health authorities, advanced education institutions, and local governments. Partnerships BC provides services directly through its own expertise and also by utilizing external consultants where specialized advice is required. To strengthen the partnership market, Partnerships BC continues to build strong relationships with private sector partners such as developers; investors; the advisory and financial services sector; and providers of construction, engineering and facilities management services.

The company's organization, staffing and governance reflect and support this union of public and private sector interests to best serve public needs. For example, Partnerships BC Board of Directors and staff have a mix of skills and expertise from both sectors. The company has offices in both Vancouver and Victoria to serve both sectors effectively as well.

The company's high level organizational structure is as follows:



Partnerships BC's budget provides for 38 full time equivalent staff and utilizes in-sourced contractors as required. To respond to business needs, Partnerships BC is structured into strategic service units that support the company's project focus and operational requirements: Partnership Development and Delivery; Partnership Services, and a Finance and Administration unit under the direction of the Comptroller. These business units, and their primary functions, are described in the table below.

<table>
<tr><th colspan="3">**SENIOR MANAGEMENT TEAM**
Larry Blain
PRESIDENT & CEO</th></tr>
<tr><td>Mike Marasco
VP – Partnership Development and Delivery</td><td>Grant Main
VP – Partnerships Services</td><td>Chan-Seng Lee
Comptroller</td></tr>
<tr><td>**Areas of Responsibility**</td><td>**Areas of Responsibility**</td><td>**Areas of Responsibility**</td></tr>
<tr><td>Business Development
Project Governance and Delivery
Corporate Relations
Market Development
Senior Project Advisor</td><td>Policy and Practices
Communications
Government Relations
Legal Services
Procurement Services
Marketing & Research
Senior Project Advisor</td><td>Finance and Accounting
Human Resources
Administration
Facilities
Information Technology
Contract Management
Corporate Governance</td></tr>
</table>

A performance-based human resource strategy has been developed and implemented, such that all employee individual performance plans are tied directly to corporate performance. In addition, certain corporate performance measures are benchmarked against comparable professional services firms in the private sector.

Partnerships BC has implemented corporate and individual performance goals that support the objectives of each of the service areas. In addition to their responsibilities for specific projects, employees are responsible for assisting with partnership development and the development and retention of best practices, as part of their performance plans.

The organization frequently updates its web site to provide new information on current and completed projects, Value for Money Disclosure Reports, and best practice guidance documents.

Board and Board Committees

The mandate of the Board is to provide guidance to the management of Partnerships BC, make strategic decisions, and report to its shareholder on the operations of the Company. The Board consists of the following directors:

Rick Mahler (Chair)
Harold Calla
Celia Courchene
Susan Conner
Colin Dobell
Dan Doyle
Charles Jago
Barry Lapointe
Ellen Morfitt

The Board of Directors is supported by two subcommittees:

The Audit and Risk Management Committee provides oversight of key financial information. This includes audited financial statements, quarterly financial statements, the annual report and any quarterly reports, the annual service plan, annual business plan, operating and capital budgets, and any budget presentations to government. The committee also reviews the company's risk management, internal controls and information systems. The committee members are Harold Calla (Chair), Colin Dobell, Ellen Morfitt and Dan Doyle.

The Human Resources and Governance Committee assists the Board with human resource issues, compensation matters, and the establishment of a plan of continuity and development of senior management. The committee also provides a focus on corporate governance to enhance corporate performance. The committee members are Celia Courchene (Chair), Charles Jago, Susan Conner and Barry Lapointe.

Products and Services

Partnerships BC's products and services are critical to the Province's ability to undertake the planning and procurement of complex capital projects, specifically those involving the utilization of private sector expertise, services, and capital.

Partnerships BC was created to develop and centralize public private partnerships expertise, documentation, processes and experience for the benefit of its clients and ultimately British Columbia taxpayers.

As a government-owned entity, with an experienced and highly qualified Board of Directors drawn from both the public and private sectors, Partnerships BC has a high degree of understanding and insight into both sectors, thereby providing a strong capability to validate partnerships from a public interest and commercial perspective.

To achieve this goal, Partnerships BC provides a full spectrum of services ranging from business case and procurement advisory services to comprehensive turnkey project and contract management. This flexible approach enables clients to focus on their core businesses and accountabilities while Partnerships BC focuses on the administrative and contractual requirements of managing partnership arrangements.

Specific service offerings include:

- Partnership feasibility assessments.
- Business case development, review and evaluation.
- Procurement management.
- Best practices documentation, procedures and experience.
- Development of new partnership structures.
- Partner identification and market sounding.
- Project management.
- Advice on a range of issues such as contract negotiations, government approval processes, communications, business case review, and managing partnership contracts post financial close.

Strategic and Planning Context

Vision

Partnerships BC's vision is to be the Province's centre of expertise for evaluating, structuring and implementing public private partnerships which serve the public interest. The company is committed to commercial viability, transparent operations, and achieving wide recognition for its innovation, leadership and expertise in public procurement. It works with public sector agencies and private sector partners to create agreements that combine the best aspects of private sector expertise and public sector stewardship by:

- Evaluating opportunities for projects to be delivered through a partnership approach.
- Selecting partners through a competitive, fair and transparent process that delivers the best product or service at the best price.
- Ensuring the transfer of appropriate risk.
- Instilling a pay-for-performance system based on the private sector's ability to meet standards set by government.
- Facilitating the application of best-practices on partnership projects.
- Attracting international expertise and capital investment to British Columbia.

The following corporate values guide Partnerships BC's approach to leadership and its service offerings:

Values	**Corresponding Leadership Philosophy**
Obtaining Value for Money	• Explore and encourage innovation, new ideas and partnerships for infrastructure solutions that result in best value for taxpayer dollars. • Explore opportunities to increase social, economic, environmental, or other benefits derived from infrastructure investments. • Continue to improve efficiency, productivity and quality, targeting industry benchmarks.
Serving the Public Interest	• Ensure that public interest issues such as transparency, safety, and privacy are assessed and protected in developing solutions to infrastructure challenges. • Provide public agencies with tools and support to identify, evaluate, allocate and manage risk effectively.
Competition and Transparency	• Improve the appeal of the British Columbia market so as to maximize the number of qualified bidders for partnership opportunities. • Ensure that all activities engaged in by Partnerships BC and its staff maintain the highest levels of fairness and openness.

Strong Accountability	• Measure and report on performance at all levels. • Develop best practices from lessons learned and recognize achievement.
Respect and Integrity	• Focus on clients, provide leadership, encourage teamwork and value diversity and differences of opinion. • Protect confidentiality of commercial information.

General Planning Context

A number of factors have changed the strategic context in which Partnerships BC will be operating and planning in the coming years. The Canadian partnership market is still expanding and developing, with: public delivery institutions now operational in both Ontario and Quebec; a federal commitment to establish a Canadian partnerships agency and deliver projects through a partnership approach; many new projects announced in other jurisdictions; new market participants expanding and locating across the country; and a continuing heated construction market in the Lower Mainland and British Columbia generally. In British Columbia, public private partnerships continue to achieve high value for money propositions.

Other significant factors impacting Partnerships BC's strategic environment relate directly to the fiscal situation and infrastructure requirements of the majority of its clients. For example, the Province of British Columbia's planned infrastructure growth in health, transportation, education, advanced education and municipal infrastructure provide numerous opportunities for Partnerships BC to assist clients to add value to projects while serving the public interest. Moreover, provincial policy requirements and fiscal conditions are resulting in the consideration of alternative financing mechanisms as higher value for money solutions.

The Province of British Columbia has recently committed that for capital projects where the Province contributes $20 million or more, a public private partnership approach is to be considered the base case unless there is a compelling reason that an alternative approach will provide a higher value for British Columbia's taxpayers. The Province continues to expect rigorous analysis of project delivery options prior to the provincial funding commitment. Partnerships BC has been asked to support the Province in evaluating project business cases - partnership solutions will only be approved by the Province if they demonstrate value. While this new capital standard has the potential to involve Partnerships BC in more projects - the company's business and project delivery model remains fundamentally the same.

Risk Management

A number of factors will affect Partnerships BC's ability to realize its objectives in the coming years, presenting both risks and opportunities. As described below, the company has developed strategies for managing risks while pursuing opportunities.

As part of its internal risk management process, Partnerships BC applies the Enterprise-Wide Risk Management (ERM) methodology as developed by the Risk Management Branch of the British Columbia, Ministry of Finance - which includes a calenderized risk schedule, so that risk management is conducted systematically throughout the year.

The risk profile faced by Partnerships BC is similar to previous years, although inflationary pressures and capacity in the construction industry remain significant concerns. In addition, increased competition for market participants in other jurisdictions presents both a risk and an opportunity for the company.

Both internal and external business risks remain, with the most important risks requiring a structured and considered response.

Key risks and their corresponding mitigation measures, as identified through Partnerships BC's ongoing approach to risk management, are as follows:

Scope of Business, Focus and Client Base

Partnerships BC was created as part of the Provincial government's strategic plan to deliver public services more efficiently. While Partnerships BC delivers a range of services, its primary focus is on capital infrastructure, and the company only provides services to public sector clients. Despite the significant market potential for public infrastructure development in British Columbia and beyond, the specialized product offering and client base of Partnerships BC does create certain business risks. For example, lags in project flow pose challenges from a revenue and resource planning perspective in both the short and long term. Actions to manage risk and optimize opportunities related to business scope include:

- Focusing on providing quality outcomes to existing clients to increase confidence and encourage future engagements.
- Consulting regularly with government agencies to continually understand their needs and identify project opportunities.
- Working to expand Partnerships BC's potential client market to include other levels of government and other jurisdictions.

Evolving Policy and Public Administration Environment

As partnerships are still a relatively new infrastructure delivery model, a range of public administration and policy issues - such as accounting treatment and existing funding mechanisms - are still evolving to accommodate new partnership structures. Accordingly, Partnerships BC is working with central agencies and other stakeholder groups such as professional practice bodies to ensure appropriate policy approaches for all projects are considered.

Operational Contract Management Risks

A range of partnership projects in British Columbia are now under construction or in the operating phase. These projects represent a new approach to the delivery of public infrastructure and management of new contract structures. To enable effective ongoing project management, Partnership BC is developing best practices in contract management and discussing lessons learned with other jurisdictions. The combined result will be a coordinated, consistent approach to ensure risks are anticipated and addressed throughout the construction and operating phases of partnership projects.

Public Private Partnership Market and Capacity

The Canadian public private partnership market is still in the relatively early stages of development. Internationally, the market is mature in countries such as the United Kingdom, Australia, France and Spain and it continues to emerge in several American States, Southeast Asia, South America and South Africa. As a result, capacity in British Columbia is growing, and in some situations, competes with other jurisdictions for market participants. In addition, strong growth in construction activity in British Columbia, and nationally and internationally, means Partnerships BC must continue to work to attract private companies to the market to encourage a robust competitive market.

External factors will therefore play a significant part in Partnerships BC's success and the company may face challenges related to:

- Growth of public private partnerships markets in competing jurisdictions.
- General private sector interest in public private partnerships worldwide.
- Development of private sector public private partnership capacity within British Columbia.
- Capacity and inflationary pressures in the construction sector within British Columbia.
- Population growth and demographic shifts that impact both the need for infrastructure and the capacity to deliver.

To meet these challenges, Partnerships BC continues to develop relationships with stakeholders and business partners and is standardizing practices to support market development. On an ongoing basis, the company works to stay abreast of developments in the international market and broaden the Canadian market through the following research and outreach activities:

- Continue to develop relationships and consult with other public private partnership stakeholders to ensure the continuous transfer of knowledge related to best practices, and to develop standardized and consistent approaches to reduce transaction and bid costs in order to make British Columbia a more attractive market for both clients and bidders.
- Continue holding discussions with other provincial governments to broaden the Canadian public private partnership market and enhance the expansion of best practices to make a broader Canadian market more attractive to bidders.

- Continue to communicate with public private partnerships organizations and stakeholders around the world such as the United Kingdom and Australia to build on their experiences in a mature market.
- Ensure rigorous project budgeting to address project specific risks such as construction cost escalation.
- Encourage business-to-business partnering opportunities within and outside British Columbia through education and awareness.
- Conduct research and assess market interest in advance of project implementation as a key step in business case analysis to ensure the presence of a viable market.
- Involve the academic community to analyse the British Columbia project experience in order to further develop best practices.

Internal Experience and Capacity

In addition to the external market capacity risks described, Partnerships BC is continually building the experience and skill sets it needs to be a leader in providing public private partnerships products and services. At the same time, Partnerships BC faces the challenge of balancing service demand with its corporate capacity to ensure successful performance at both the project and organizational levels. To meet these challenges, the company has developed a human resources approach that:

- Ensures Partnerships BC's professionals develop the right mix of skills and expertise for the expected project flow and corporate responsibilities, and draw expertise from both the public and private sectors.
- Supports continuous learning and improvement and includes the development of a corporate knowledge management system that makes best practices readily available to all staff so they have the tools to be successful.
- Optimizes staff retention and works to minimize personnel turnover.
- Conducts external executive and staff compensation reviews every two years to benchmark against comparable positions with public and private sector organizations.
- Includes targeted and relevant training for staff.
- Benchmarks human resource management strategies against comparable public and private sector organizations.

Reputation Risk

Reputation is compromised when an organization's performance, ethics or experience with stakeholders suffers. The ability of Partnerships BC to provide quality service and foster market growth is directly tied to the reputation of the company and the demonstrable success of its projects. A strong reputation will attract more clients, improve relationships, and generally assist with the growth of the market in British Columbia and Canada.

Partnerships BC employs the following risk mitigation strategies to address reputation risk:

- Partnerships BC is functionally organized to focus upon the use of best practices in all of its activities to help ensure quality of service and successful projects.
- Partnerships BC places a high priority upon disclosure and transparency.
- Partnerships BC regularly seeks feedback from all market participants and clients and ensures that concerns and criticisms of its operations are addressed, and that corporate strategies are aligned with stakeholder expectations.
- Partnerships BC has in place strong operational and internal controls.
- Partnerships BC will continue to ensure that its Board and staff operate at the highest levels of integrity.

Management and Operational Risks

As a knowledge-based professional services company, Partnerships BC's ability to serve its clients is dependant entirely upon its ability to harness and direct that knowledge. As a result, Partnerships BC faces business risks relating to information management. Furthermore, Partnerships BC manages a significant volume of contracts on behalf of its clients. Systems must be robust, and continuity plans must be in place in the event that there are disruptions to service.

Partnerships BC employs the following risk mitigation strategies to address management and operational risk:

- Continually updating and improving its management and financial information systems and related processes.
- Addressing business disruption issues with the effective deployment of business continuity plans.
- Working to improve server performance and the implementation and management of back-up systems.
- Addressing information systems related risks.
- Implementing improved contract management processes and establishing best practices in contract management.

Objectives, Strategies and Performance Measures

As Partnerships BC has matured, it has adjusted its corporate goals as an organization to reflect the evolving vision of the company and its Board of Directors. For example, in the 2004/2005 Service Plan, Partnerships BC refined its goals to reflect the stage of growth at which the company was operating – focusing on revenue generation and market growth. In the 2006/2007 Service Plan, the Company's goals were restructured and simplified to ensure they were completely consistent with the objectives of the shareholder and focused on government priorities, such as minimizing project costs.

For the 2007/2008 to 2009/2010 planning period, Partnerships BC reassessed it goals and strategies in light of the Province's new capital standard for projects and the Company's expanded role. Partnerships BC remains committed to providing partnership solutions that serve the public interest, grow the partnership market in British Columbia and, as a corporate entity, remain commercially viable. Accordingly, the Company will continue to focus on the three goals outlined in the 2006/07 Service Plan. To reflect the Company's role in the new capital standard, a fourth goal has been added for the new planning period. The four corporate goals are as follows:

- Structure and implement partnership solutions which serve the public interest (50 per cent*).
- Encourage development of the public private partnership market in British Columbia (15 per cent).
- Remain commercially viable and increase productivity (25 per cent).
- Ensure that public private partnership projects with provincial funding exceeding $20 million, where Partnerships British Columbia provides a review and oversight role, are structured and implemented utilizing best practices.(10 per cent).

* The accompanying percentages have been set by the Board of Directors for the purposes of performance management and have been adjusted for this planning period to reflect the addition of Goal 4.

These goals are described below, along with the company's strategies for achieving them. Performance measures and targets for each goal are listed in the chart on page 23.

Performance measures are both qualitative (e.g. those related to market development) and quantitative (e.g. industry derived measures of financial performance and productivity). This balance reflects the company's commitments to meeting the objectives of its annual Financial Plan together with meeting broader public interest and longer term objectives. Performance measures and targets have been selected to reflect the nature of the advisory services business model under which Partnerships BC operates and also to reflect the relative maturity of the public private partnership market.

Partnerships BC collects and utilizes data from reliable independent and government sources in its development of targets for the performance measures in the Service Plan.

The Company provides quality assurance in the implementation of all aspects of the Service Plan, and continues to improve the internal mechanisms that promote and enable excellence in product quality. The Company monitors the performance of the measures in the Service Plan and introduces corrective actions as necessary to ensure that it achieves its goals set out in the Service Plan. Measures and targets may be refined and further improvements will be made in the years ahead as Partnerships BC becomes a more mature organization.

Goal 1 – To structure and implement public private partnership solutions which serve the public interest

Partnerships BC's primary mandate is to enable and facilitate public private partnerships that benefit British Columbians, both economically and in terms of protecting the public interest. Partnerships BC's success in structuring and implementing public private partnerships is measured by its ability to meet project milestones, and the number and type of new projects it initiates.

Partnerships BC shares with its public sector clients a commitment to managing its projects such that the public interest is served. Given that public private partnerships often involve large, high profile, complex projects, it is essential that the public interest is not only served, but seen to be served. All stakeholders must have a degree of comfort with the process involved in bringing a public private partnership project to fruition. To achieve this, the Company is committed to ensuring that its operations and projects are delivered in the most transparent manner possible, demonstrating fairness, integrity and value for money – while protecting confidential information and commercial interests.

These are not simple objectives, given the commercial complexity that often accompanies a public private partnership project. However, Partnerships BC is committed to ensuring that its operations and projects meet these objectives.

Partnerships BC is committed to ensuring that public sector clients are provided with the highest standard of service available, and that they are satisfied with the quality of services. To ensure that this is happening, the company will focus on the following objectives and strategies:

Objectives

- Meet milestones in existing client engagements, or as amended by the client.
- Develop new business and enter into new engagements (i.e. contracts with clients).
- Grow revenue.
- Meet or exceed client expectations.
- Demonstrate value for money in all projects.
- Ensure all processes are transparent, fair and competitive.

Strategies

- Continue to build and improve upon relationships with public sector client agencies.
- Through business development efforts, ensure that a wide client group is aware of the potential benefits of public private partnerships.
- Continually seek out business opportunities with new, potential and existing clients.
- Undertake business development for Partnerships BC's services beyond core provincial government client agencies.
- Develop business plans that provide a solid foundation for decision making, based on assessment of a full range of quantitative and qualitative factors.
- Ensure that business plans incorporate rigorous financial analysis, risk assessment and management tools to properly identify and appropriately allocate and manage project risks.
- Publish documents that communicate the value for money expected to be achieved for projects, and, as appropriate and requested by the client, a Report of the Fairness Auditor following the financial closing of each project, and disclose all documentation not deemed to be commercially sensitive.
- Continually assess and appraise the quality of services provided by Partnerships BC with clients, external stakeholders such as public private partnership service providers (e.g. advisors), project participants and private partners. Strategies include conducting client surveys and conducting market consultations.

Performance Measures

- Public private partnership development agreement engagements with Province and/or other agencies.
- Revenue growth.
- Client Survey results indicate Partnerships BC's performance meets or exceeds client expectations.
- Project milestones achieved.
- Publish Value for Money Report or Value for Money communications on all projects after financial close has been reached.
- Publish fairness and probity opinions on projects where size and scope warrants fairness review.

Goal 2 – Encourage development of the public private partnership market in British Columbia.

The benefits of public private partnerships solutions can only be fully realized on a broad scale when there is a strong client base and project flow, and sufficient number and quality of market participants to bid on those projects. Market participants must have collectively not only the technical skill and financial resources to competitively bid on projects, but must be able to identify innovative and creative solutions. British Columbia is already realizing the benefits of market development in the public private partnerships arena – however, continued growth and development will be necessary to ensure a vibrant, competitive long term market to address infrastructure requirements across the province.

One of Partnerships BC's broad objectives is to create a world class centre of excellence and expertise for public private partnerships in British Columbia. The company endeavours to ensure that best practices are identified and transferred from one project to the next, and that British Columbia becomes recognized as an attractive market for public private partnerships.

Objectives

- Increase number of qualified bidders in British Columbia partnerships market.
- Demonstrate benefits of a centre of excellence and expertise.
- Broaden and strengthen client base.
- Receive validation from third parties.

Strategies

- Implement a stakeholder outreach program to increase visibility and appreciation of Partnerships BC in the broader international market.
- Participate within and outside British Columbia at conferences and workshops.
- Host client outreach workshops and forums.
- Enter into Public Private Partnership Development Agreements with clients in strategic sectors.
- Develop a presence in the business community to ensure Partnerships BC is recognized as a catalyst for success in public private partnership projects.
- Identify and apply best practices from project to project to help ensure continuous improvement and consult regularly with clients and the market in best practice development.
- Implement a knowledge management system to capture and incorporate best practices.
- Support development of a strong pan-Canadian partnership market.

Performance Measures

- New market participants in British Columbia.
- Annual examples of best practices established, acknowledged and adopted within the Provincial government and by other governments.
- Annual examples of synergies and process cost reductions.
- External validation (e.g. awards, informed media coverage).

Goal 3 – To remain commercially viable and increase productivity

Partnerships BC is committed to ensuring it remains commercially viable on an ongoing basis. Commercial viability requires that revenues meet or exceed expenses, whether or not the Government Services Agreement with the Province is continued. The current Government Services Agreement extends to March 31, 2008, and may or may not be continued. Under the current Agreement, Partnerships BC provides a range of services such as: helping agencies identify and assess public private partnership opportunities; developing provincial public private partnership policy and best practices; and providing other advisory and consulting services directly to the Province and/or clients on an ongoing basis, where costs are not attributable to a specific project.

Partnerships BC is committed to meeting a minimum 15 per cent net income margin (pre-variable compensation). This target – along with the goal of maintaining current charge-out rates – ensures that efficiencies gained through Partnerships BC's experience best practices are returned to the shareholder.

The ability of Partnerships BC to meet its goals depends on its ability to attract and retain high quality staff. Partnerships BC also recognizes that its ability to remain profitable depends on the efficiency of its employees. In addition to harnessing the corporate learning embodied within the suite of best practices, targeted employee training and professional development has been identified as a means to both improve employee productivity, and contribute to employee satisfaction.

Objectives

- Continued commercial viability.
- Increased productivity.
- Implement a restructured multi-year Government Services Contract.
- Improve professional competencies and attract and retain high quality people.
- Continued refinement of Partnership BC's Human Resource Strategy.

Strategies

- Ensure that engagement agreements require the payment of fees commensurate with the cost of services provided.
- Ensure that Partnerships BC's resources and cost structure are appropriate for the expected workload.
- Prudently manage expenses and internal costs.
- Structure contracts with milestone payments to develop a stable cash flow.
- Monitor human resource issues relative to the human resource strategy and adjust as required.
- Develop internal performance measures for Partnerships BC and its staff which tie individual and collective success to the achievement of milestone events.

Performance Measures

- Meet budget (minimum 15 per cent net income margin pre-variable compensation).
- Minimize charge-out rates for clients.
- Employee satisfaction.
- Targeted and relevant training – learning budget set at five per cent of compensation costs.

Goal 4: Ensure that public private partnership projects with provincial funding exceeding $20 million, where Partnerships British Columbia provides a review and oversight role, are structured and implemented utilizing best practices.

In October of 2006, the Province introduced a new capital standard regarding project funding. For capital projects where the Province contributes $20 million or more, a public private partnership approach is to be considered the base case unless there is a compelling reason that an alternative approach will provide a better value for British Columbia's taxpayers. Furthermore, the new standard requires that Partnerships BC review business cases for all such projects. This goal applies to projects in which Partnerships British Columbia is not directly engaged in an advisory and procurement management capacity as defined in Goal 1.

Objectives

- Ensure rigorous and thorough analysis of all capital expenditure business cases.
- Ensure that the recommended procurement option best suits the public interest.

Strategies

- Continue to work with ministries and provincial agencies to raise the level of expertise and understanding on the full range of procurement options.
- Continue to develop and enhance business assessment tools to assist in efficient and effective analysis.

Performance Measures

- Client (ministries) Satisfaction survey and milestones met.
- Examples of best practices applied and costs being reduced on oversight projects.

Summary Table – Performance Measurements, Targets and Benchmarks

	06/07 Forecast	07/08 Targets	08/09 Targets	09/10 Targets
Goal 1 –Structure and implement public private partnership solutions which serve the public interest				
- Public Private Partnership Development Agreement engagements with Province and/or other agencies	Positive assessment by Board of Directors of engagements achieved	Positive assessment by Board of Directors of engagements achieved	Positive assessment by Board of Directors of engagements achieved	Positive assessment by Board of Directors of engagements achieved
- Revenue Growth	Revenue growth below target	17%	10%[1]	2%
- Client survey results indicate Partnerships BC performance meets or exceeds client expectations	Target met	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery
- Project milestones achieved	All controllable project milestones met	Positive assessment by Board of Directors (on project milestones achieved)	Positive assessment by Board of Directors (on project milestones achieved)	Positive assessment by Board of Directors (on project milestones achieved)
- Publish Value for Money Disclosure Report or communications on all projects after financial close has been reached	100% documents published	100% documents published	100% documents published	100% documents published
- Publish fairness and probity opinions on projects where size and scope warrants fairness review	100% reports published	100% reports published	100% reports published	100% reports published
Goal 2 – Encourage development of the public private partnership market in British Columbia				
- New market participants in British Columbia	Number of new market participants	Number of new market participants	Number of new market participants	Number of new market participants
- Annual examples of best practices established, acknowledged and adopted within the Provincial government and by other governments	Examples published/Revenue from non-B.C. sources	Examples published/Revenue from non-B.C. sources	Examples published/Revenue from non-B.C. sources	Examples published/Revenue from non-B.C. sources
- Annual examples of synergies and process cost reductions	N/A	Benchmark strategy to be developed	TBD	TBD

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[1] Reflects completion fee for Abbotsford Regional Hospital and Cancer Centre project in 2008/09.

	06/07 Forecast	07/08 Targets	08/09 Targets	09/10 Targets
• External validation (i.e. awards, informed media coverage etc.)	Award applications, significant informed media coverage	Examples from 3rd party validators	Examples from 3rd party validators	Examples from 3rd party validators
Goal 3 – Remain commercially viable and increase productivity				
• Meet budget (minimum 15% net income margin pre-variable compensation) • Minimize charge-out rates to clients	Met 15% net income margin Charge out rates unchanged from 2005-2006	Meet budget (minimum 15% net income margin pre-variable compensation) Charge-out rates unchanged from 2006/07	Meet budget (minimum 15% net income margin pre-variable compensation) Charge-out rates review	Meet budget (minimum 15% net income margin pre-variable compensation) Charge-out rates review
• Employee satisfaction	Target met Survey scheduled for April 2007	Meet or exceed industry standards, with minimum 85% employee satisfaction	Meet or exceed industry standards, with minimum 85% employee satisfaction	Meet or exceed industry standards, with minimum 85% employee satisfaction
• Targeted and relevant training	Target met	5% of compensation costs	5% of compensation costs	5% of compensation costs
Goal 4 – Ensure that public private partnership projects with provincial funding exceeding $20 million, where Partnerships British Columbia provides a review and oversight role, are structured and implemented utilizing best practices				
• Client (Ministries) Satisfaction survey and milestones met • Examples of best practices applied and costs reduced on oversight projects.	N/A	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery Examples published	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery Examples published	Meet or exceed industry standards, with minimum 85% client satisfaction and demonstrable improvement in service delivery Examples published

Linkages to Government Strategic Priorities

The Government outlined five goals in the February 2005 Throne Speech, focusing on education and literacy, health and physical fitness, support for persons with disabilities, special needs, children at risk and seniors, sustainable environmental management, and job creation, detailed as follows:

Goal 1: To make British Columbia the best educated, most literate jurisdiction on the continent.

Goal 2: To lead the way in North America in healthy living and physical fitness.

Goal 3: To build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors.

Goal 4: To lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.

Goal 5: To create more jobs per capita than anywhere else in Canada.

Public private partnerships provide a foundation for all of these goals by delivering major capital projects that meet public needs at minimum lifecycle cost and with an optimum sharing of risks between the public and private sectors.

More specifically, Partnerships BC supports goals one through four by providing necessary infrastructure to British Columbia as quickly and efficiently as possible. Meeting provincial infrastructure needs in general is essential to a strong provincial economy and a high quality of life. For example, providing community-based options for people requiring health-related assistance minimizes disruption to families and enables a more caring approach. Assisted Living and Residential Care projects in Northern British Columbia and on Vancouver Island are helping British Columbians receive the care they need where they need it – close to home.

Partnerships BC projects directly support goal five by supporting economic growth in British Columbia and encouraging and facilitating private sector involvement in the delivery of critical public sector infrastructure and services. In addition, Partnerships BC projects support the creation of direct and indirect employment, attracting foreign capital and investment, and transferring appropriate risk to the private sector. Several firms providing advisory, construction and financing services to the public private partnerships market have opened offices based in British Columbia since the establishment of Partnerships BC.

Resource Summary

Summary Financial Outlook

Partnerships British Columbia Inc.
Financial Statements for Service Plan
For the Years Ended March 31, 2007 to 2010

Partnerships British Columbia Inc.
Fiscal 2006/07 Reforecast and Fiscal 2007/08 to 2009/10 Budget

	2005/06 Actual	2006/07 Reforecast	2007/08 Budget	2008/09 Budget	2009/10 Budget
REVENUE					
Fees for Service	$ 6,612,671	$ 6,232,788	$ 7,686,400	$ 9,639,136	$ 8,819,816
Provincial Government Revenue	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Other Revenue	302,132	258,908	231,000	237,930	245,068
Project Recoveries	3,393,607	3,370,777	4,131,400	5,000,000	6,000,000
TOTAL REVENUE	12,108,410	11,662,473	13,848,800	16,677,066	16,864,884
EXPENDITURES					
Salaries and Benefits	5,236,971	5,667,047	6,030,168	6,359,527	6,507,874
Professional Services	538,531	485,867	514,300	529,729	545,621
Administration	1,235,099	1,294,790	1,355,634	1,402,696	1,486,777
Corporate Relations	83,508	126,767	127,500	131,325	135,265
Amortization	158,308	249,153	308,169	316,188	271,487
TOTAL EXPENDITURES	7,252,417	7,823,624	8,335,770	8,739,464	8,947,024
Project Recoverable Expenses	3,393,607	3,370,786	4,131,400	5,000,000	6,000,000
NET INCOME	$ 1,462,386	$ 468,063	$ 1,381,630	$ 2,937,602	$ 1,917,860
NET INCOME (PRE-VARIABLE COMPENSATION)	$ 2,152,495	$ 1,216,915	$ 2,034,095	$ 3,612,914	$ 2,617,352
Number of Employees and Contractors	36	40	43	43	43
Capital Expenditures	$ 166,808	$ 335,600	$ 229,188	$ 225,427	$ 270,398

Key Forecast Assumptions

In preparing its financial statements, Partnerships BC has based its calculations on the following assumptions:

- Revenue and expenditures are estimates based on a forecast of project activity using the best available information available to Partnerships BC.
- Project expenditures will fluctuate significantly from year to year.
- The majority of expenditures will be reimbursable from third parties during the fiscal year in which they occur and will not materially affect the bottom line.

Risks and Sensitivities

Risks, in general, have been discussed within the planning context of this document; however, risks and sensitivities pertaining specifically to Partnerships BC's financial outlook are as follows:

- Interest rates – Partnerships BC does not forecast significant interest income and therefore the fluctuation of interest rates is not expected to have a significant impact on earnings. However, it may affect the ability of third parties to cover costs if they are primarily using debt financing.
- Performance of the economy – the overall performance of the British Columbian, Canadian and North American economies may have some impact on demand for construction and debt.
- Inflation – inflation in some sectors may or may not impact Partnerships BC's work flow and project revenue.

Appendix 1: Changes to Goals and Measures

* Bold text indicates changes from previous years.

2006-2007 Service Plan	Comments
Goal 1 : Structure and Implement public private partnership solutions which serve the public interest.	
Measures: • Public private partnership development agreement engagements with Province and/or agencies. • Revenue Growth. • Positive assessment by Board of Directors (on project milestones achieved). • Client Survey results indicate Partnerships BC performance meets or exceeds targets. • Publish Value for Money Disclosure Report or communications on all projects after financial close has been reached. • Publish fairness and probity opinions on projects where size and scope warrants review.	Partnerships BC is committed to communicating the value and expected benefits achieved for each partnership project. A range of communications vehicles will be used to achieve this, depending on the size, scope and complexity of individual projects.
Goal 2: Encourage development of the partnerships market in British Columbia.	
Measures: • New market participants in British Columbia. • Annual examples of best practices established, acknowledged and adopted within the Provincial government and by other governments. • Annual examples of synergies and process cost reductions. • External validation (e.g. awards, informed media coverage).	No changes
Goal 3: Remain commercially viable and increase productivity.	
• Meet financial plan targets in 2005/06 (minimum 15 per cent net income margin pre-variable compensation, net income margin). • Positive employee satisfaction survey results (85 per cent). • Targeted and relevant training programs developed – five per cent of compensation costs.	No Changes
Goal 4: Ensure that public private partnership projects with provincial funding exceeding $20 million, where Partnerships British Columbia provides a review and oversight role, are structured and implemented utilizing best practices	**New goal to reflect and measure Partnerships BC's role in applying the Province's new capital standard.**

Appendix 2: Other Operating Segments

Partnerships BC incorporated the Abbotsford Regional Hospital and Cancer Centre Inc. as a subsidiary corporation in 2003/04. Given the number of public sector agencies involved in the Abbotsford Regional Hospital and Cancer Centre project, it was determined that it would be beneficial to create a single public sector entity to contract with the private sector. The mandate of the entity is to ensure that the project is completed on time and on budget.

Abbotsford Regional Hospital and Cancer Centre Inc. concluded the competitive selection process for the project on December 7, 2004, when it reached financial close on a project agreement with the private partner Access Health Abbotsford. Partnerships BC will continue to retain responsibility for the project and hold the shares of the company until the new facility is built and commissioned at Substantial Completion. At that point, the shares will be transferred to the Fraser Health Authority and Provincial Health Services Authority for the 30 year operating phase of the project.

Construction of the Abbotsford Regional Hospital and Cancer Centre started in December 2004, with design and development being completed in November of 2005. Current focus is directed towards equipment procurement and planning for the operationalization of all facility management services. The project is on schedule and the facility is expected to be open and operational in 2008.

Partnerships BC may in future create subsidiary corporations in its normal course of business as part of structuring optimal arrangements between public sector clients and private investors.

partnerships
British Columbia

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www.partnershipsbc.ca

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PROVINCIAL CAPITAL COMMISSION

SERVICE PLAN

for Fiscal Years 2007/08 – 2009/10

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LETTER FROM THE CHAIR

February 1, 2007

Honourable Stan Hagen
Minister of Tourism, Sport and the Arts

Dear Minister:
The Provincial Capital Commission's (PCC) 2007/2008 – 2009/2010 service plan focuses on British Columbia's young people and moves another step forward towards our vision:

Connecting and celebrating the Capital with every British Columbian.

Our objective is to connect the Capital with British Columbians, to celebrate our province's history and cultures, the accomplishments or our citizens and the pride that we have in British Columbia. We will use traditional and new communication channels to reach out to all citizens of this province. Our service plan provides for creating a greater awareness of the importance of our province's First Nations and what all British Columbians must learn from their history.

A recently launched PCC outreach program providing variable travel assistance for organized student groups visiting the Capital from around the province will be expanded. In the program's inaugural year, we approved more than $90,000 in travel assistance for over 70 groups representing more than 3,000 British Columbia students. Their teachers tell us that many of these student's had not visited the Capital before -- some had never even seen the ocean. It's a program that is creating a new and enduring appreciation in young people for their birthright as citizens of this great province.

With stewardship responsibilities of several key properties and heritage buildings in the Capital region, the PCC is aware of the public's interest in our work. Our plan contemplates new tenants in the Crystal Garden and progress toward the long-anticipated redevelopment of the PCC's properties on the Inner Harbour. Balancing the responsibility of managing important heritage assets with the financial constraints of our self-sustaining business model is critical to our long-term success. Our board and staff have the skills and experience and the commitment to plan carefully, make the right decisions and to measure results.

This service plan was prepared under the board's direction in accordance with the Budget Transparency and Accountability Act. The board is accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and strategic plan.

All significant assumptions, policy decisions, and identified risks as of January 30, 2007 have been considered in preparing the plan. The performance targets in this plan have been determined based on an assessment of the PCC's operating environment, forecast conditions, risk assessment and past performance.

Bill Wellburn CA
Chair

CHIEF EXECUTIVE OFFICER'S MESSAGE

To all British Columbians, I am pleased to submit the Provincial Capital Commission's updated Service Plan for 2007/08 to 2009/10.

Since 2003, the PCC has undergone a significant transition in its mandate, programming, governance and organizational structure. While continuing our stewardship of a number of provincially owned properties and heritage buildings in the Capital region, the PCC has charted a new course in the development and delivery of province-wide Outreach programs to fulfill its expanded mandate of connecting and celebrating the Capital with every British Columbian.

As a self-sustaining Crown corporation, the PCC has a goal to optimize revenues from its property assets to fund the delivery of its programs — programs that reach citizens throughout the province.

Over the past three years the PCC has undertaken a comprehensive review of its properties, increased tenant income by over 33 per cent, and managed the difficult task of completing the much-needed remediation of the Crystal Garden to ensure its long term sustainability for future generations.

In partnership with the Greater Victoria Harbour Authority, the City of Victoria and the Esquimalt and Songhees First Nations, the PCC facilitated an Inner Harbour Steering Committee to provide oversight on due diligence work essential to the future development of the Belleville Street properties on the Inner Harbour.

The PCC Board also adopted a strategic plan for its "Capital Connects" program, to be implemented as quickly and as completely as resources allow. The Board further directed staff to put the highest priority on those programs aimed at young British Columbians. To this end, the PCC has launched an innovative travel subsidy program for student groups visiting the Capital. At our second application deadline this past November, we received more than twice the number of applications compared to the first cycle. As a result, in the program's first year we will have helped more than 3,000 British Columbia students to visit the Capital, and we plan to do more in the years ahead.

We also have a number of other outreach initiatives planned and in progress. This includes a new multimedia online social studies unit on the Capital, aimed at students and teachers in grades four and five, currently being field-tested across the province. This year 12 "Capital Connections" television vignettes have been broadcast province-wide, and are now posted on our website alongside the 65 radio vignettes produced two years ago.

At the same time, we are connecting the Capital to other regions of the Province through community visits and other province-wide community-based initiatives. For instance, we have initiated joint projects with the Healthy Aboriginal Network and the BC Youth Parliament, and other partnerships are in the early planning stages. We will also be working closely with the BC 2008 Secretariat on planning and delivery of initiatives celebrating the 150th anniversary of the Crown Colony of British Columbia.

We believe that through our outreach initiatives, British Columbians have the opportunity to "connect and celebrate" with Victoria as their provincial Capital, developing a greater awareness of and pride in our province and its rich history.

Sincerely,

Ray Parks

Ray Parks
Chief Executive Officer

ORGANIZATIONAL OVERVIEW

Summary Description and Primary Business

The Provincial Capital Commission (PCC) raises awareness of the Capital through targeted Outreach and stakeholder communication. The PCC aspires to inform all British Columbians about the unique history and beauty that makes Victoria and British Columbia the best place on earth. The PCC is also the registered owner and steward of many provincially owned properties and heritage buildings in the Capital region.

Benefit to the Public

The work of the PCC benefits the public by:

- Connecting British Columbians with their Capital through innovative Outreach initiatives
- Taking the Capital to British Columbians and bringing British Columbians to the Capital
- Preserving many provincially owned properties and heritage buildings that celebrate the Capital

Core Business Areas and Major Programs

The PCC has two core business functions:

- Delivery of Outreach and Engagement programs that connect British Columbians with their Capital, and the Capital with all British Columbians
- Stewardship of our heritage, Inner Harbour and open space properties

Products and Services Provided

These include:

- Programming to assist student groups from across the province to visit the Capital
- Partnerships with businesses, not-for-profits and the tourism sector to boost awareness and visitation to the province's Capital
- Educational and research support for students and teachers

Principal Markets

The PCC serves the following principal markets:

- Citizens of British Columbia
- Communities throughout the province
- Visitors to the Capital
- Teachers and students
- Interested parties seeking information on the Capital

Location of Operations

The PCC's headquarters is physically located at 613 Pandora Avenue in Victoria, BC. A number of programs for schools and the general public are offered at St. Ann's Academy located at 835 Humboldt Street in Victoria, BC.

How Services are Delivered

The PCC delivers its services in a variety of ways:

- Financial support for events in the Capital and regional events throughout selected areas of the province
- Publications
- Website
- Strategic Partnerships
- PCC staff resources

Enabling Legislation

The Provincial Capital Commission is a Crown Corporation created in 1956. The *Capital Commission Act* currently provides the PCC with powers to focus primarily in real property and beautification throughout the Capital Improvement District. At the direction of government, the mandate of the PCC was changed in 2003 to include a broader province-wide mandate of engendering a sense of pride by all British Columbians in their Capital and province.

Business Model

As a self-sustaining Crown corporation, the model of the PCC is to optimize net income from its property assets to fund expenditures incurred in the delivery of Outreach programs and its core business operations.

Financial performance of the PCC is driven by:

- Optimizing revenues from commercial activities, in particular tenant leases and revenues from future development sites currently used for parking lots
- Application of the resources required to achieve Service Plan goals for the core business areas
- The stewardship of heritage and open space properties
- The net cost to operate St. Ann's Interpretative Centre and grounds

Corporate Governance

The PCC's Board of Directors is made up of eight directors appointed by the Province and six directors appointed by the four core municipalities of the Capital Improvement District. The Board provides policy direction, strategic leadership and oversight of the Provincial Capital Commission. The Chief Executive Officer, a position appointed by the Board, manages the implementation of the PCC's Service Plan. The Board is accountable to the Legislative Assembly through the Minister of Tourism, Sport and the Arts.

The Board of Directors has adopted principles and policies that guide:

- Stewardship, leadership and effective functioning of the Board
- Clarity of roles and responsibilities
- Accountability and performance

BOARD OF DIRECTORS

Provincial Capital Commission

Bill Wellburn, Chair	Vancouver Island	Order In Council
Beth Campbell, Vice Chair	Thompson Okanagan	Order In Council
Basil Boulton	Vancouver Island	Municipal Appointee
Barbara Brink	Vancouver	Order In Council
Allan Cassidy	Vancouver Island	Municipal Appointee
Jane Durante	Vancouver	Order In Council
Christopher Fairbank	Kootenay Rockies	Order In Council
Bob Gillespie	Vancouver Island	Municipal Appointee
Rob Hunter	Vancouver Island	Order In Council
Pamela Madoff	Vancouver Island	Municipal Appointee
William Oppen	Northern BC	Order In Council
Matt Vickers	Vancouver	Order In Council
Leif Wergeland	Vancouver Island	Municipal Appointee
Geoff Young	Vancouver Island	Municipal Appointee

The Board has four standing committees:

- Executive
- Finance and Audit
- Governance
- Program, Resource and Communication

Vision

Connecting and celebrating the Capital with every British Columbian

Mission

- Delivery of programs that connect British Columbians to their Capital and foster pride and awareness of the diverse cultures and rich history of their province

- Responsible stewardship of public assets

- A self-sustaining Crown corporation

Values

- Act with integrity by operating with openness, fairness and transparency
- Be respectful, inclusive and accessible
- Think, plan and act long term
- Be socially responsible in everything we do by promoting long term financial and economic sustainability, a healthy environment and the well-being of all citizens
- Balance the needs of the Capital and the province-wide mandate
- Recognize and support the diversity of British Columbia's cultures, landscapes and history
- Manage the balance between our heritage properties and our province-wide mandate

Direction from Government

The current Shareholder's Letter of Expectations between the Shareholder and the PCC was signed in 2006. This letter is an agreement of the respective roles and responsibilities of each and serves as the basis of agreement between the Shareholder and the PCC including the high-level performance expectations, public policy issues and strategic priorities.

The letter is posted on our website at: **http://www.bcpcc.com/archive/sle_pcc_aug18_2006.pdf**

Strategic Issues

Risks and sensitivities that may impede the PCC's ability to deliver the Service Plan are outlined in the table below:

Area of Risk	Risk/Sensitivity	Status
Outreach	Within the self-sustaining model, funding for Outreach programs is dependent on net revenues from commercial properties	Further growth potential linked to optimization of revenues from other property assets
Properties	Tenant income is sensitive to building occupancy and rent from percentage of sales, where applicable Belleville property revenue streams may be impacted by future Inner Harbour development Future heritage building remediation is conditional on source funding	Potential sensitivity on PCC revenue will be taken into consideration as part of future development plans PCC has implemented or developed plans to fully utilize building space and optimize revenues from commercial leasing Engineering assessments have been completed on all buildings; capital maintenance plan is linked to risk management; funding options for building remediation will be developed in consultation and the approval of the provincial government
Staffing	Succession planning - 50% of PCC staff are eligible for retirement within 5 years	Management succession plans in place

GOALS, STRATEGIES AND PERFORMANCE MEASURES

This section presents the PCC's goals and outlines how specific strategies and performance measures are helping to achieve these goals. The PCC's goals focus on the long-term outcomes relating to the Commission's core businesses. One of the ways that progress towards goals is tracked is through monitoring and reporting on performance measures. For each performance measure, annual performance targets for the next three years are provided.

Service plan goals, strategies and performance measures will continue to develop over time as the PCC's needs, resources and priorities change and as improved performance information becomes available. The PCC evaluates its performance measures to ensure they are meaningful, reflect PCC priorities and focus on the desired outcomes. The PCC continues to collect additional statistics on trends associated with awareness of the Provincial Capital Commission and its roles and responsibilities, as well as familiarity with the provincial capital Victoria.

Goal One: ***British Columbians embrace and take pride in the Capital***

This goal is to be achieved by creating a concept of the Capital as a historic and cultural centre of the province through strategies and programs that extend to all citizens of the province. During the period covered by this plan, the focus will be on Outreach and Engagement to encourage British Columbians to develop a sense of pride in their Capital and whenever possible to participate in programs that connect them to the Capital. The program delivery to achieve this goal will emphasize youth and children, history / heritage, culture, Aboriginal people and civic commitment.

Strategies:

- Implement a series of Outreach programs and Communications strategies to connect children and youth to their Capital and engage them in activities that manifest this connection
- Assess the impact and cost/benefit of Outreach strategies through internal monitoring and external surveys, and redesign or refine the products and processes accordingly
- Reach out to Aboriginal peoples by developing new programs, facilitating opportunities and working in partnership with representative bodies
- Implement "signature programs" that will be strongly identified as the corporate mark of the PCC
- Connect the regions to the Capital by providing the opportunities and support for having the Capital represented in the regions and a meaningful presence of the regions in the Capital
- Use the province-wide celebration of BC2008 as a vehicle to launch or expand priority programs

Performance:

Successful performance in the above Outreach, Engagement and Communications strategies are to be determined by measuring the number of programs implemented, the number and representation of the citizens that respond to or participate in the various Outreach activities, and the qualitative response of the participants, all within the scope of the PCC's self-sustaining business model.

Goal One Performance Measures	2005/06 Actuals	2006/07 Forecasts/ Baseline	Targets		
			2007/08	2008/09	2010/11
Description and cumulative number of new Outreach programs	2 new initiatives	4 new initiatives	6 new initiatives	8 new initiatives	10 new initiatives
Participant and community assessment of the quality and effectiveness of PCC Outreach programs	Performance measure determined	New in 2006/07	To be reported annually	To be reported annually	To be reported annually
Level of participation in PCC Outreach programs targeted for children and youth	Baseline participation to be established in fiscal 2006-07	Baseline established	+5% from baseline	+7% from baseline	+10% from baseline
Number and geographic location of communities participating in PCC Outreach and PCC-sponsored events and activities	Performance measure determined	New in 2006/07	+5% from baseline	+7% from baseline	+10% from baseline

Goal Two: ***Effective management of property assets to optimize revenues and opportunities on a self sustaining basis*** In order to achieve the goal of a financially viable, self-sustaining service delivery Crown corporation it is critical to ensure that assets and properties held in the public trust be dealt with in a manner that is consistent with responsible stewardship.

Strategies:

- Identify opportunities to optimize revenue from property assets
- Secure long-term tenant for the Crystal Garden.
- Review property portfolio to ensure government's strategic objectives are being met
- Review those buildings and properties that are expense generating and implement plans to move towards a neutral or positive position
- Follow sound risk management practices by implementing plans to manage risks that could result in loss of value, revenue or cost exposure to the PCC through setting priorities for mitigation strategies considering cost/benefit implications
- Complete seismic and structural upgrade of the CP Terminal Building and Tourist Information Centre
- Link remediation of the Stores Building to Inner Harbour development plans
- Continue stewardship role of PCC-owned property on the Capital's Inner Harbour.

Performance:

Performance in this area will be measured by monitoring the extent to which each property is utilized, the development of property improvement initiatives and the percentage of occupied leased space in PCC heritage buildings.

Goal Two Performance Measures	2005/06 Actuals	2006/07 Forecasts/ Baseline	Targets		
			2007/08	2008/09	2010/11
Annual revenues from all corporate assets	$2.58 million	$2.9 million	$3.1 million	$3.125 million	$3.15 million
Qualitative improvements to property management	5 new improvements	> 5 new improvements	To be reported annually	To be reported annually	To be reported annually
% of occupied leased space in heritage buildings	82%	>90%	>95%	>95%	>95%

Goal Three: *Sound Governance and results-oriented management of the Provincial Capital Commission*

This goal is to be achieved by embracing the Board Resourcing and Development Office's governance practices and procedures to allow the PCC to ensure the efficient use of its resources, accountability for stewardship of those resources and to effectively fulfill its mandate.

Strategies:

- Fully implement Board Resourcing and Development Guidelines
- Continue with policy setting agenda for the Board
- Monitor implementation of corporate-wide risk management strategy
- Adopt best practices standards for management and financial reporting and monitor accordingly
- Conduct annual evaluations of the Board, CEO and Board Chair
- Establish budget targets based on available financial resources

Performance:

Measures will include annual evaluations of the timeliness and accuracy of quarterly management reporting on annual operating plan results, with reasons for any deviation from planned performance and success in acheiving targets.

Goal Three Performance Measures	2005/06 Actuals	2006/07 Forecasts/ Baseline	Targets		
			2007/08	2008/09	2010/11
Qualitative improvements in business processes and governance	Performance measure determined	To be reported annually	To be reported annually	To be reported annually	To be reported annually
Board governance and corporate support costs as a % of budgeted revenue	14%	<15%	<15%	<15%	<15%
Self-sustaining operations	Achieved for operations	Achieve budget	Achieve budget	Achieve budget	Achieve budget

OPERATIONAL RESOURCES

Summary Financial Outlook

$ Thousands	*2005/06 Actual*	*2006/07 Forecast (Quarter 3)*	*2007/08 Forecast*	*2008/09 Forecast*	*2009/10 Forecast*
Revenue	2,580	2,950	3,100	3,125	3,150
Expenditures (1)	(2,494)	(2,850)	(3,050)	(3,075)	(3,100)
Operating Income	86	100	50	50	50
Greenways/Beautification Program funded from restricted reserves	(105)	(56)	(95)	-	-
Investment in Capital Assets (2)	(3,128)	(450)	(100)	(100)	(100)
Less: Contributed Capital (3)	2,097	30	-	-	-
Retained Earnings (end of year)	709	600	675	850	1,025
Full Time Equivalents *(excluding auxiliaries)*	11	12	12	12	12

(1) Revenue from commercial activities, investment income and deferred contributions is applied to fund expenditures incurred for program delivery, property stewardship, and Board governance and corporate support. Expenditures include direct funding of Outreach programs, salaries and benefits, professional and administrative expenses, amortization of capital assets and property expenses.

(2) Capital projects in excess of $200,000 are authorized by Order in Council. 2005/06 and 2006/07 includes building remediation for the Crystal Garden authorized at $3.6 million.

(3) Contributed capital from third parties includes the Province and commercial tenants. Provincial contributions include $1.5 million approved in 2005/06 for unanticipated structural repairs to the Crystal Garden. Contributions are deferred and recorded to revenue to match the amortization expense on capital assets they relate to.

Key Assumptions

The PCC Financial Outlook Summary, updated January 2007, aligns available financial and staff resources to achieve the Service Plan vision and goals. The key assumptions are as follows:

- The outlook for revenues, expenditures and investment in capital assets is based on self-sustainability
- Revenue projections are based on current capacity and use of property assets
- Revenue increase from 2005/06 through 2007/08 is funding growth in the delivery of Outreach programs
- The outlook provides for government negotiated cost of living wage adjustments and cost inflation on property expenses
- Service plan goals are to be achieved within current staff capacity
- The target to build retained earnings to $1 million will be achieved by 2009/10

The objective of the financial outlook is to fully utilize revenue from optimization of property assets to expand the delivery of outreach programs, finance essential capital maintenance of PCC owned heritage buildings, and build retained earnings capacity.

FORECAST RISKS AND SENSITIVITIES		
Area of Risk	**Sensitivities**	**Financial Implications**
Tenant Income	Crystal Garden	Revenue projections in out years may be sensitive to timing of securing full occupancy of the building
	Future Inner Harbour development	Future Inner Harbour development may impact revenue streams on Inner Harbour properties
	Factors impacting tourism in the Capital	Revenue from % of sales performance has been conservatively projected
Property Expenses	Unanticipated cost inflation on utilities, insurance, repairs and maintenance	PCC share of costs will have to be absorbed
Outreach	Funding linked to property revenue	Future Outreach funding levels to be based on self-sustainability
Capital Maintenance	Property risks; retained earnings availability	Capital maintenance is focused on essential risk management based on available retained earnings

ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN

The Provincial Capital Commission directly supports the Provincial Government's Great Goal #1:
To make BC the best educated, most literate jurisdiction on the continent.

PCC Alignment:

- Outreach program components address and encourage knowledge of British Columbia's rich history and diverse cultures
- Outreach priorities include new programs focused on Aboriginal youth
- The PCC operates a National Historic Site, St. Ann's Academy, which offers interpretive and education programs
- BC 2008 activities

APPENDIX A: Significant Service Plan Changes

The PCC recognizes that all performance measures reported in the 2007/08 – 2009/10 Service Plan are important; however focusing on the most critical aspects of performance allows the PCC to better define its success in achieving its goals. As a result, the PCC has altered and/or refined a number of performance measures to create greater focus on program participation and development, fiscal sustainability and accountability.

The following performance measures have been added to the 2007/08 – 2009/10 Service Plan:

1. Number and geographic location of communities participating in PCC Outreach and PCC-sponsored events and activities
2. Participant assessment of the quality and effectiveness of PCC Outreach programs
3. Qualitative improvements to property management
4. Percentage of occupied leased space in heritage buildings
5. Qualitative improvements in business processes and governance
6. Board governance and corporate support costs as a percentage of budgeted revenue
7. Self-sustaining operations.

The following measures have been superseded in the 2007/08 – 2009/10 Service Plan:

1. Percentage of BC population aware of the Provincial Capital Commission and its role in connecting British Columbians with their Capital
2. Percentage of BC population with a sense of pride and history in our provincial capital
3. Number of commercial buildings fully utilized
4. Cumulative annual savings realized from cost savings efficiencies on building and property expenses
5. Management and financial reporting timely, accurate and transparent, and meets needs of Board, management and key stakeholders
6. Board governance effectiveness determined by meeting relevant Board Resourcing and Development Office guidelines to corporate governance practices

These measures will continue to be tracked for internal management purposes.

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COLUMBIA
The Best Place on Earth

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ROYAL BC MUSEUM

Royal BC Museum Corporation

Service Plan
2007/08-2009/10

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Letter from the Board Chair to the Minister Responsible

The Honourable Stan Hagen
Minister of Tourism, Sport and the Arts
Province of British Columbia

RBCM Board Chair
John Walton

Dear Minister

On behalf of the Board of Directors of the Royal BC Museum Corporation ("RBCM"), I am pleased to present the Corporation's 2007/08 to 2009/10 Service Plan.

The Royal BC Museum is a cherished institution. In collecting, preserving, and interpreting the artifacts, specimens and documents relevant to British Columbia, it celebrates this province's rich history, and is a facility in which British Columbians take great pride.

It has been clear for some time that to meet its requirement to become more self-sustaining, the Royal BC Museum needs to undergo a major revitalization. The first phase of the Royal BC Museum's redevelopment has been completed. The Province transferred to the Corporation, the land and buildings; marking the first of many successes for the Royal BC Museum. We appreciate the ongoing commitment of the Provincial Government to the Royal BC Museum renewal and revitalization.

In 2006 a business plan – *"A Vision For The Future"* was developed in support of the Master Plan which was completed in 2005. The RBCM's revitalization and expansion program includes the construction of new galleries capable of hosting modern-day blockbuster exhibitions as well as more permanent displays to showcase RBCM's extensive collections. A combination of new and renovated buildings will ensure a proper environment to preserve artifacts, collections and archival records and maximize the enjoyment of BC residents and international visitors for future generations. This undertaking will require many years of effort and significant financial support to make the vision a reality. The immediate focus will be on renewing the building for life safety and retaining Class A status for major exhibits.

The Royal BC Museum is grateful for the support the Minister of Tourism, Sport and the Arts has shown and the financial contribution of $12.1 million annually. We look forward to realizing this incredible vision for British Columbia and British Columbian's archives and museum.

The tourism market this past year has presented many new challenges and opportunities for success. With the increase in the Canadian dollar and the strict travel regulations at airports and borders, the tourism industry has seen a decline in the number of international tourists. We are active advocates and supporters of the efforts undertaken by our tourism partners to attract visitors to Victoria.

As a key tourist attraction in Victoria, we are hosting another blockbuster exhibition in 2007 which will not only provide something new to see in Victoria, but also contributes to Victoria's local economy. We provide innovative programming and exhibits (such as our new exhibit - "Ocean Station") to ensure all visitors to the RBCM are able to experience the wonder of British Columbia's human and natural history - 7 million years in an afternoon.

The Royal BC Museum's goal is to continue to be a world-renowned museum and archives, maintaining the celebration and preservation of British Columbia's natural and human history, and becoming a more financially self-sustaining enterprise while showcasing British Columbia as the best place on earth.

The year ahead will be exciting for the Royal BC Museum as we begin to venture on a new journey in creating "A Vision for the Future" and implement our significant collections database project that will allow the public from all over the world to view items from our world class collections.

The 2007/08 – 2009/10 Royal BC Museum Service Plan was prepared by the CEO and staff under Board direction in accordance with the *Budget Transparency and Accountability Act*. The Board, through its direction to the CEO and its review of the plan, which includes the selection of performance measures and targets, is responsible for the plan. The performance targets in this plan have been determined based on an assessment of Royal BC Museum's operating environment, forecast conditions, risk assessment and past performance. The plan is consistent with government's strategic priorities and overall Strategic Plan.

All significant assumptions, policy decisions and identified risks, as of August 31, 2006 have been considered in preparing the plan. The Board provides direction to the CEO who, in conjunction with RBCM staff, is accountable to the Board for ensuring that the Royal BC Museum achieves the specific objectives identified in the plan and for measuring and reporting actual performance to the Board.

John Walton

John Walton
Chair, Board of Directors
Royal BC Museum Corporation

Chief Executive Officer's Message

Chief Executive Officer
Pauline Rafferty

I am pleased to submit the Royal BC Museum Corporation's 2007/08 to 2009/10 Service Plan.

The Royal BC Museum has "A Vision for the Future". To meet our obligation to be more self-sustaining, the Royal BC Museum must offer a first class facility to attract more support and generate more revenue. We have a unique opportunity now to create an iconic showpiece and cultural legacy that celebrates the human and natural history of British Columbia.

We are committed to providing the best preservation of artifacts, archives and collections for the people of British Columbia; our grandchildren and great grand children of generations to come. We also strive to offer an enjoyable, educational, and interesting experience for visitors of all ages and future generations.

The coming year will be full of exhilaration as we host a six-month major blockbuster "Titanic – The Artifact Exhibition". The Royal BC Museum is the first venue in Western Canada to present this assembly of artifacts collected by RMS Titanic Inc., the only company in the world authorized to recover artifacts from the Titanic wreck site.

Also in 2007 we will honor our commitment to increase public accessibility. A new collections database project that allows us to digitally record, catalogue, and interpret our collections will make items in the Provincial Collections accessible to all British Columbians and people from around the world.

British Columbia's 150th Anniversary as a Crown Colony is around the corner and to celebrate, the Royal BC Museum will create an exhibition for all British Columbia. The exhibition will allow individual BC communities to add locally significant items emphasizing their distinctive history. The exhibition will open at the Royal BC Museum in 2008 and then travel throughout BC in 2008.

The Royal BC Museum has the reputation of being one of Canada's great cultural institutions. This would not be possible without the continued support of the Friends, our many dedicated volunteers, supporters and devoted staff. I thank them for their continuing dedication and look forward to working together to create a revitalized Royal BC Museum that will be the pride of generations to come.

Pauline Rafferty

Pauline Rafferty, Chief Executive Officer

Overview of the Organization

The Royal British Columbia Museum Corporation (RBCM) is known as one of Canada's leading cultural institutions. "Royal BC Museum" (or "RBCM") means the Royal BC Museum Corporation throughout this document. More than a million people pass through the Royal BC Museum's public spaces each year, including over 300,000 paid visitors to the Corporation. More than 7,000 visitors use the research facility of the provincial Archives, and over 1 million visitors visit the RBCM website annually.

Enabling Legislation

Administrative responsibility for the Museum, the British Columbia Archives (the Archives of the Government of British Columbia), as well as Helmcken House, Thunderbird Park, Mungo Martin Big House, St. Ann's Schoolhouse and the Netherlands Carillon, resides with the Royal BC Museum Corporation, a Crown Corporation created in 2003 under the *Museum Act*. The *Museum Act* mandates the Royal BC Museum to fulfill the government's fiduciary responsibilities for public trusteeship of the provincial collections and exhibitions, including specimens, artifacts, archival records and other materials that illustrate the natural and human history of BC. The collections are preserved for current and future generations of British Columbians.

Mandate

The *Museum Act* lists the purposes of the Royal BC Museum Corporation as:

a. to secure, receive and preserve specimens, artifacts and archival and other materials that illustrate the natural or human history of British Columbia;
b. to hold and manage the archives of the government;
c. to increase and communicate knowledge of the natural and human history of British Columbia by research, exhibits, publications and other means;
d. to serve as an educational organization;
e. to develop exhibits that are of interest to the public;
f. to manage, conserve and provide access to the collection;
g. on the request of the government, to manage cultural and heritage facilities designated by the government; and
h. to perform functions usually performed by a museum and archives.

The work of the Royal BC Museum benefits the public by:

- Developing and preserving collections for current and future generations;
- Sharing the natural history and human story of British Columbia with the world through the physical environs of the cultural precinct, regional programs and Internet access to the collections and archives;
- Supporting education through the provision of materials, programs and complimentary student admissions;
- Supporting research through projects and by providing access to the collections and archives;
- Contributing to the provincial economy as a tourism destination of choice; and
- Managing the archival records of the Government of British Columbia.

Summary Program Overview

What we do	Collection Development	Encouraging Learning
	Acquisitions Conservation, care and treatment Sharing with other museums	Research Support Providing access Tell the story
Our results	A collection that is significant, complete and representative of BC and its history Significant government documents preserved Longevity of the collection protected	Easy electronic and physical access to the collection and displays Visitors experience discovery, learning, inspiration Window onto the world
Our impact	British Columbia's history is protected for future generations	Increased knowledge and appreciation of BC and its history

Products and Services Provided

The RBCM provides the following products and services:

- Collection, preservation, research and interpretation of the province's historical artifacts, specimens and documents, including government documents;
- Permanent exhibitions that tell the natural history and human story of British Columbia;
- Temporary exhibitions that showcase special traveling displays that attract tourists and repeat visitation;
- Special programming that invites the attendance and participation of local and tourist audiences;
- Partnerships with local businesses and the tourism sector to boost visitation to the province's capital and contribute to the provincial economy;
- Educational and research support for students, teachers and scholars;
- Regional programming, Internet access and virtual exhibitions;
- Management and maintenance of the cultural precinct consisting of the Museum, British Columbia Archives, Helmcken House, Thunderbird Park, Mungo Martin Big House, St. Ann's Schoolhouse and the Netherlands Carillon;
- Ancillary services including retail (which provides a venue for BC artists) and food services; and
- A means for donors who wish to donate heritage artifacts/archival documents for long-term preservation.

Principal Markets

The RBCM services the following principal markets:

- Visitors to the cultural precinct;
- Researchers;
- Educators and students;
- Citizens of British Columbia;
- Communities throughout the province; and
- People throughout the world seeking information via websites and publications.

Location of Operations

The Royal British Columbia Museum is located at 675 Belleville Street in Victoria, BC. The Royal BC Museum is also accessible via the Internet at www.royalbcmuseum.bc.ca and regional services are provided in partnership through the RBCM's outreach programs.

Principal Partners, Clients and Stakeholders

Group or Agency	*Nature of Relationship and/or Areas of Interest*
Government	
Provincial Government	Financial investment, preserving BC's history
Federal Government	Financial investment, commitment to preserving national history
Municipal Government – City of Victoria	Impacts of economic return from the corporation's events
Business	
Willie's Bakery	Providing food services
Greater Victoria Chamber of Commerce	Economic benefits and impacts on local businesses
Tourism Victoria	Visitor experience, economic impacts
Accommodation, Food Services and Retail Sectors	Economic impacts, cross marketing, competition
Transportation	Economic impacts, cross marketing
Partnership	
National Geographic IMAX Theatre	In 1998, the RBCM entered into a number of agreements with Destination Cinema Canada Inc. (DCI) for the construction and operation of an IMAX theatre. Current 30 year lease expires 2028.
Internal	
RBCM Employees	Any impacts on jobs, business operations
Board of Directors	Overall improvements to preserve BC's history, generate additional revenues, increase fund-raising
Volunteers	Preserve history
Minister of Tourism, Sport and the Arts	Minister responsible for the RBCM
Treasury Board	Ensuring public money is managed and disbursed in the public interest.
External	
Tourists - out of Province and from BC	Visitor's experience, donations
Primary and Secondary Schools	Educational programs, museum tours, special exhibitions
BC Universities and Colleges (Primary emphasis on those based locally)	School and research programs, special exhibitions and Internet research access
Friends of the Royal BC Museum	The Friends of RBCM Foundation is an organization undergoing repositioning. It has a new Board of Directors and a new structure (previously a membership driven charitable organization that has moved to a Foundation) and is embarking on a strategic planning exercise in fall of 2006. The Friends operate the Museum Gift Shop and have a membership base.
Friends of the BC Archives	A non-profit organization with approximately 120 members concerned about the preservation and improvements to the documentary heritage of BC and its people.
Residents of Victoria and surrounding area	BC history, economic impact, interest
First Nations	
Esquimalt and Songhees First Nations	Cultural precinct, preserving the First Nations' History, Thunderbird Park
Kwakiutl First Nation	Mungo Martin House, preserving the First Nations' history, Thunderbird Park
Others	
Local and provincial media	Public interest

How Services are Delivered

The RBCM delivers its services in a variety of ways:

- Physical delivery of exhibitions and programming within the RBCM complex;
- Education of BC youth through school programs;
- Electronic access to the collections and archives through finding aids and the Internet;
- Published books and research papers; and
- Delivery and support for regional programming in selected (rotating) areas of the province.

Reporting Relationships with the Government

The *Budget Transparency and Accountability Act* requires that Ministers Responsible table service plans for Commercial and Service Delivery Crown Corporations, and ensure they report quarterly and annually. It requires Ministers Responsible to make public an Annual Report for Commercial and Service Delivery Crown Corporations that compares actual results against the performance objectives and targets set out in the Service Plans.

Crown Agencies inform Government of all emerging strategic issues on an ongoing basis.

Reporting information concerning the financial and performance results of Crown Agencies that is credible, timely and complete is a key component in meeting the accountability expectations of the Legislative Assembly and the public.

Corporate Governance

Governing Principles of the Board of Directors

A Board of Directors governs the Royal BC Museum Corporation, guided by legislation, regulation and public policy. The Board is accountable to the Minister of Tourism, Sport, and the Arts and is responsible for the Royal BC Museum to ensure the application of the *Museum Act*, so that the Royal BC Museum conducts its affairs in a manner that complies with the legislation and accepted standards of conduct, operates within approved financial standards, and fulfils its purpose and mandate.

The Board of Directors consists of not more than 11 directors, all appointed by the Lieutenant Governor in Council. As a policy board, it concentrates on providing leadership and direction to the Royal BC Museum through clearly articulated policies and corporate goals. In delegating authority to the Chief Executive Officer, the Board monitors the performance of the CEO, and holds the CEO accountable for results and progress. Having established the policy framework, the Board allows the CEO to administer corporate operations and does not involve itself in management decision-making or the day-to-day operations of the Royal BC Museum.

Board of Directors – Role and Membership

Name	Position	Area
Ralph Bodine	Director	Sidney
Donald Hayes	Director	Duncan
Kenneth Mahon	Director	Vancouver
David McMillan	Vice Chair	Victoria
Allison McNeill	Director	Kelowna
Anna Nyarady	Director	Vancouver
Barbara Rae	Director	Whistler
Neil Sterritt	Director	Hazelton
David Stowe	Director	Vancouver
John Walton	Chair	Victoria
Cynthia Woodward	Director	Vancouver

Board Committees – Role and Membership

There are three Board committees.

Finance and Audit Committee

The Finance and Audit Committee ensures that the Corporation's financial and accounting policies conform to the provisions of the *Museum Act* and all other applicable legislation, and that the Corporation's financial reporting systems meet the needs of the Board and the Royal BC Museum itself. Members of the Committee include David McMillan, Chair, Ralph Bodine, Donald Hayes, ex-officio members John Walton and Pauline Rafferty and Chief Financial Officer Faye Zinck.

Governance & Nominating Committee

The Governance and Nominating Committee oversees the Board's nominating and governance activities. It is responsible to the Board of Directors and meets as required, but at least once a year. Its functions are to establish the criteria of skills required for membership on the Board, pre-screen and recommend Board candidates, recommend persons for the positions of Chair and Vice Chair, ensure appropriate orientation, manage evaluation of the Board; ensure the manual contains all documents relevant to the Board's governance structure are current, and recommend persons to sit as members of Board committees. This Committee also serves to deal with all matters of corporate governance and as such, reviews, monitors and reports on Board effectiveness. Members of the Committee include; Barbara Rae, Chair, Allison McNeill, Anna Nyarady, Neil Sterritt, David Stowe, Cynthia Woodward and ex-officio members: John Walton and Pauline Rafferty.

Site Development Committee

The Site Development Committee is a term "special purpose" committee whose principal focus is to advise on the RBCM Master Plan and to assist with moving the renewal of the Royal British Columbia Museum forward. The term is up to three years.

The Committee will be consulted for the oversight and policy in respect of the management and control of the land and property of the Royal BC Museum. Members of the Committee include Ken Mahon, Chair, Donald Hayes, Murray Farmer, ex-officio members John Walton and Pauline Rafferty and Director, Visitor Services, Angela Williams.

Additional Information

Detailed information regarding the Board of Directors and Board policies is posted on the Royal BC Museum's website, www.royalbcmuseum.bc.ca. The Royal BC Museum fully complies with the provincial government's "Governance and Disclosure Guidelines for Governing Boards of British Columbia Public Sector Organizations".

Royal BC Museum Organizational Chart

Minister Responsible
The Honourable Stan Hagen
(Tourism, Sport and the Arts)

Board of Directors
John Walton. Chair

Chief Executive Officer
Pauline Rafferty

Access and Information Management	Chief Financial Office	Curatorial Services	Exhibits and Visitor Experience	Visitor Services	Development Office
Director Gary Mitchell	**Director Faye Zinck**	**Director Grant Hughes**	**Director Tim Willis**	**Director Angela Williams**	**Director (Vacant)**
• Provides public access to artifacts, specimens and archival material, including images and documents • Manages government archival records • Collects private documents of provincial significance • Extends virtual access to the collections through the RBCM website	• Manages financial and related functions including strategic budget development, financial management, information technology, policy development, business planning, risk management, legal services, and financial analysis	• Develops, preserves and manages the collections • Ensures the safety and longevity of all artifacts, specimens and archival records in the RBCM's care • Conducts research and ensures the collections and knowledge resident in the collections is available to other researchers and public	• Interprets the collections and knowledge resident in the collections through the creation of exhibitions and the development of both school and public programs	• Provides services to the corporation, public, employees and volunteers; property management; revenue reconciliation; visitor relations; human resource management services and liaison with outside service providers • Projects the public image of the RBCM through a broad range of marketing and communication services	• Establish a fundraising program

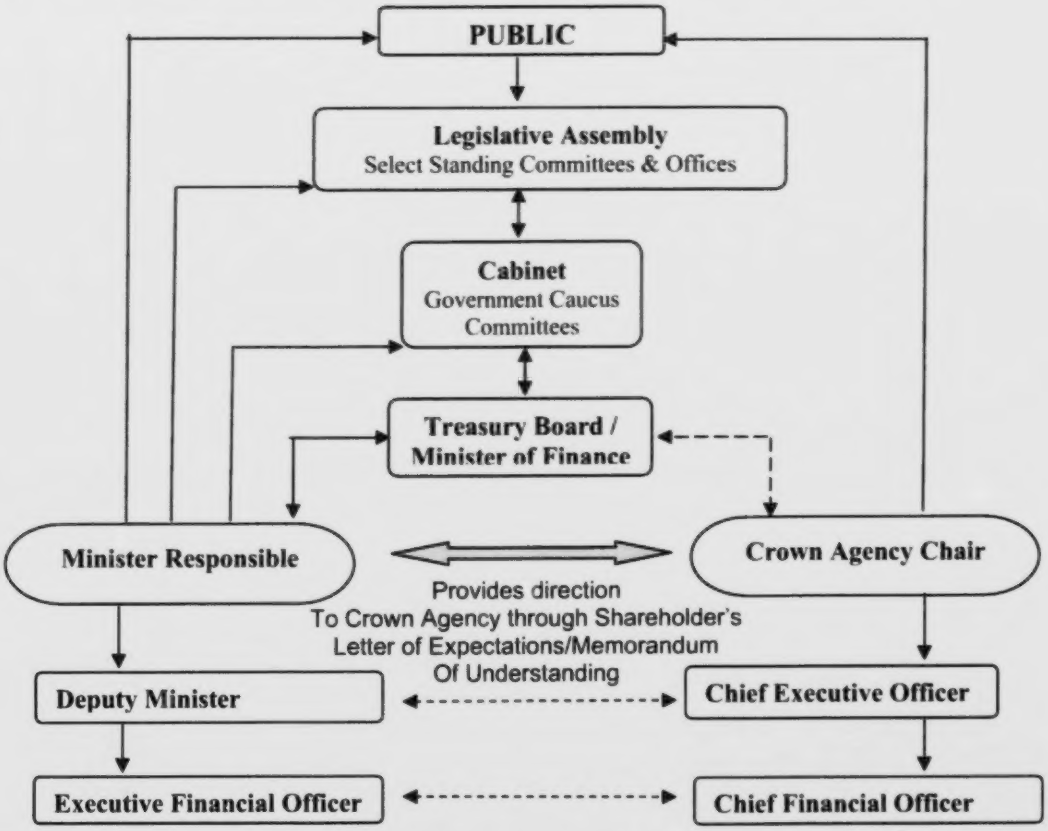
Code of Conduct

The Board has adopted a code of conduct that is consistent with the *Standards of Ethical Conduct for Public Sector Organizations.* The Royal BC Museum publishes its Code of Conduct and Ethics and the Governance and Nominating Committee review the Code of Conduct annually.

The Royal BC Museum requires all employees to comply with the Standards of Conduct for Public Service Employees, as a condition of employment. The Standards of Conduct Policy is available to all employees. The Human Resources branch provides advice and assistance on the interpretation or application of the policy.

The Royal BC Museum Volunteers are required to comply with the responsibilities for conduct outlined in the Orientation Handbook provided to new volunteers during Orientation.

Key Reporting Relationships with Ministers and Ministries


PUBLIC
Legislative Assembly
Select Standing Committees & Offices
Cabinet
Government Caucus
Committees
Treasury Board /
Minister of Finance
Minister Responsible
Crown Agency Chair
Provides direction
To Crown Agency through Shareholder's
Letter of Expectations/Memorandum
Of Understanding
Deputy Minister
Chief Executive Officer
Executive Financial Officer
Chief Financial Officer

A Minister with a relevant portfolio is appointed by Cabinet to be responsible to the Legislative Assembly for the Crown agency. Under this framework, the Board of Directors of each Crown Agency is accountable to Cabinet through the designated Minister Responsible, and each Minister Responsible is accountable to the Legislative Assembly for the performance of his or her portfolio of Crown Agencies.

Alignment with Government's Strategic Plans

Government's Five Great Goals

1. Make British Columbia the best-educated, most literate jurisdiction on the continent.
2. Lead the way in North America in healthy living and physical fitness.
3. Build the best system of support in Canada for persons with disabilities, those with special needs, children at risk, and seniors.
4. Lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.
5. Create more jobs per capita than anywhere else in Canada.

↓

Shareholder's Letter of Expectations

Primarily, the Corporation is directed to "fulfill the Shareholder's fiduciary responsibilities for public trusteeship of the Provincial collections and exhibits, including specimens, artifacts, archival records and other materials that illustrate the natural and human history of British Columbia".

The letter directs the RBCM to take specific actions "in the most cost-effective manner to ensure maximum benefit to the taxpayer". Among these actions, the RBCM is directed to:

- *undertake programs and activities that are progressively more financially self-sustaining, and*
- *increase opportunities for private and corporate donations, fundraising and private sector involvement.*

The RBCM is also directed to:

- *diversify RBCM, building British Columbia community support and involvement, and repeat visitation;*
- *create programs in communities across the province that drives economic activity and support, both for the Corporation and communities;*
- *create a traveling exhibition in 2008 that marks the 150th anniversary of the establishment of British Columbia as a Crown Colony; and,*
- *develop an implementation strategy that ensures the successful opening of a Women's History Museum and legacy exhibit during 2008.*

Finally, the Corporation is directed to "develop a business plan in support of the (previously prepared) Master Plan for approval by the Shareholder ...."

↓

RBCM Goals

1. Collections representative of the human and natural history of BC which are accessible and preserved and which contribute to the knowledge of current and future generations.
2. A visitor experience that educates and strengthens our quality of life and ensures new and repeat visitation.
3. A sustainable, high-performing organization.

The RBCM aligns its business activities with the government's goals:

Great Goal #1:

Make British Columbia the best-educated, most literate jurisdiction on the continent.

RBCM Business Activities

The RBCM has been developing and offering an average of 8 to10 different on-site school programs annually for nearly 30 years. Complimentary admission to the permanent galleries is offered to BC school groups who wish to conduct self-led tours.

Through the Internet RBCM offers free access to an abundance of information, through the Research and Student Resource section of the RBCM web-site students, teachers and all British Columbians can read about the RBCM Collections, Archival Records, Genealogy Resources, Living Landscapes, Journeys & Transformations, Amazing Time Machine, On-line Programs, Homework Helper and Kids Page.

The RBCM contributes research for the creation of books that are available in schools and university libraries and loans artifacts to the schools for use in their classrooms.

Great Goal #3:

Build the best system of support in Canada for persons with disabilities, those with special needs, children at risk, and seniors.

RBCM Business Activities

The RBCM has recently identified structural improvements that will be made to enhance access for those with disabilities who require wheelchair access. RBCM also continues to provide all persons with the opportunity to access the RBCM's wealth of information through the Internet as well as offering discount rates for seniors and complimentary gallery admissions to persons with disabilities annually. RBCM provides access to thousands of children annually, through complimentary admission to self-directed tours by BC school groups.

Great Goal #4:

Lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.

RBCM Business Activities

The Royal BC Museum natural history research program is linked with the other natural resource ministries through investigations on climate change and the identification of rare and endangered species in BC. RBCM also educates visitors about the environment changes and through the Natural History collection through exhibitions and programs.

Great Goal #5:

Create more jobs per capita than anywhere else in Canada.

RBCM Business Activities

The Royal BC Museum workforce includes 120 full-time staff and contracting to various agencies for specialized services. As an established and stable employer in the City of Victoria, it provides on-going annual economic / financial benefits to its employees, contract workers, suppliers, and all levels of government (municipal, provincial and federal).

The Royal BC Museum's operations for the fiscal year 2005/06 are estimated to have had an economic impact in the Southern Vancouver Island region of $10.6 million. When impacts on other areas of the province are included this increases to $14.3 million. These levels of generated income will support 447 jobs in the Victoria area, plus an additional 64 jobs in others parts of BC, for 511 jobs in the province.

The economic impact from hosting blockbuster exhibitions is significant. Major exhibitions from the past, including Leonardo Da Vinci and Eternal Egypt combined were estimated to have generated over $25 million in additional income for the province and were capable of supporting 728 full-time annual jobs. The income and jobs supported by such blockbuster exhibitions is in addition to the normal annual operations of the RBCM. This additional income and jobs would not have occurred if RBCM had not hosted these special exhibitions. Major presentations like this create excitement about the Museum and develop new and repeat audiences to the Museum and create a significant stimulus to the provincial economy.

Shareholder's Letter of Expectations

The Shareholder's Letter of Expectations serves as the basis of agreement between the Shareholder and RBCM respective roles and responsibilities of each part, and the corporate mandate, including high-level performance expectations, public policy issues and strategic priorities. The Shareholder's Letter of Expectations is posted for public review at **www.royalbcmuseum.bc.ca/Reports_Policy/Shrhldrs_Ltr.aspx**

Strategic Context

Vision

Revealing British Columbia, inspiring wonder

With a passionate commitment to research, education and public involvement, the Royal BC Museum is proud to be among the finest cultural institutions in the world.

Mission

To explore and preserve British Columbia's human history and natural history, to inspire curiosity and wonder, and to share our story with the world.

Organizational Values

- *Accountability* to public expectations and concerns.
- *Responsible stewardship* of the collections and information entrusted to our care.
- *Respect* for diversity.
- *Respect* for people and partnerships.
- *Objectivity* in our work.
- *Environmental* responsibility.
- *Excellence* in all we do.

Key Strategic Issues

Strengths

RBCM possesses a number of strengths to achieve the direction provided in the Service Plan:

- The RBCM is the only institution in the world with a mandate to preserve and interpret the history of British Columbia.
- The RBCM has a strong knowledge base of the human and natural history of all of the regions within BC and is recognized as a Canadian leader in providing innovative ways to broaden accessibility to its collections.
- The BC Archives holds the province's documentary history and is the official archives of the BC Government.
- Breadth and completeness of the combined archival records, artifacts and specimens under the RBCM Corporate structure provides a comprehensive view of BC history.
- The RBCM has a proven track record of hosting and developing exhibitions that significantly influence travel and related tourism spending. Growing interest in cultural tourism provides opportunities to attract new visitors to museums and archives.
- The RBCM demonstrates a strong and successful record in the hosting of temporary and blockbuster exhibitions.
- Regional programs engage British Columbians.
- The RBCM has a strong professional relationship with museums and archives both nationally and internationally.
- The RBCM works closely with the local tourism industry.
- RBCM staff has unique expertise that support the RBCM's mission.
- The RBCM's operations are supported by approximately 450 active volunteers, contributing more than 42,000 hours on RBCM volunteer activities.
- A "Vision for the Future" is identified and outlined in the Business Plan and Master Plan.
- The RBCM plays an active role in the education of BC youth through school programs.

Maintaining Capacity

Expansion and Revitalization Program

RBCM completed a business plan that includes a detailed analysis of the risks the RBCM must address. Developed to support RBCM's Master Plan, the business plan recommends an expansion/revitalization program that would provide solutions to many of the organization's identified risks and sensitivities. The expansion/revitalization program consists of a combination of new and revitalized buildings ensuring a proper preservation environment for collections, safety of its visitors, staff and volunteers, galleries with the capacity to host large blockbuster exhibitions as well as permanent display areas for the world-class collections.

2007/08 Priorities

- Identify/Secure operating capital
- Identify the priorities within existing resources (financial & people)

2007/08 Essential Activities to Implement Business Plan:

- Capital Fundraising plan implementation
- Project Manager retained - the constant "force" behind ensuring implementation is on schedule
- Single point of contact on Business Plan implementation that will see all the components all the way through the project.
- Establish a fundraising/development group

Recruitment and Retention Strategies

- Anticipate and proactively create a plan to address vacancies due to new and reallocated resources (e.g., from business plan implementation); retirements, resignations, and/or other unforeseen circumstances
- Implement proactive and timely recruitment and retention strategies to fill those vacancies
- Volunteers, an important strategic component of the RBCM's operation are recruited on an as required basis

Continue implementation of Collections Risk Assessment strategies

Internal Risk Factors and Mitigating Strategies

Area of Risk	Risk Factors and Sensitivities	Mitigating Strategies
Collection	Some buildings housing artifacts, archival records and collections do not provide a suitable preservation environment.	A combination of new and renovated buildings will ensure a proper environment to preserve artifacts, collections and archival records against damage or irreplaceable loss. Until the expansion /revitalization can take place RBCM will continue the implementation of Collections Risk Assessment strategies.
	The collections continually grow resulting in increased costs which require larger spaces to ensure preservation of the collections. The RBCM's resource base places constraints on the development of the collection.	The Master Plan articulates the long-term growth of the collections to ensure provincially significant treasures are acquired, preserved, and made accessible to all British Columbians.
Access	Portions of some buildings do not have wheelchair access.	The expansion/revitalization plan addresses wheelchair accessibility through upgrading the access to existing galleries.
	Access to collections that are not part of an active exhibition are limited and preventing RBCM from fulfilling its education mandate.	The expansion/revitalization plan would create additional museum space with permanent display areas allowing world class collections to be on exhibit. In addition, RBCM has initiated an electronic collection management system project that will digitally record, catalogue, interpret and make accessible the world class collections for the public to view from anywhere in the world by Internet.
	Significant building deficiencies in terms of access and ease of use.	The expansion/revitalization plan addresses these issues through a combination of new and improved building access and ease of use.

Internal Risk Factors and Mitigating Strategies (cont'd)

Area of Risk	Risk Factors and Sensitivities	Mitigating Strategies
Operating Units	Operating units that could be self-sustaining need to improve their revenue base.	RBCM proposes specific targets that are intended to require the operating units to 'stretch' their operations in order to maximize revenues and minimize expenditures.
	RBCM is facing a large turnover in staff and volunteers due to a maturing workforce. Creates a risk of knowledge loss and volunteers who RBCM relies on to supplement staff.	Mitigation strategies include succession planning, training and knowledge transfer programs, and targeted recruitment of both staff and volunteers.
Revenue and Funding	Capital funding for the proposed expansion/revitalization plan is required in order to address several of the internal risk factors.	RBCM will continue to seek capital funding through a combination of revenue generation including fund-raising plans and contributions from various levels of Government. RBCM will continue to work towards achieving its vision for the future.
	Fund-raising is vital to RBCM's success and competition for funding in a market where demands are continuously increasing makes this challenging.	RBCM will continue to increase its fund-raising efforts and embark on a capital fund-raising campaign.
	Existing retail and food service outlets are poorly located and many visitors don't even notice the operation.	When the expansion/revitalization project is completed the visibility and access to the retail and food service outlets will be greatly improved and, as a result, increase operational revenues.
Partnerships	RBCM needs strong partnerships with the business community and the City of Victoria.	RBCM will strengthen these working partnerships through open dialogue with the business community and the City of Victoria.

Internal Risk Factors and Mitigating Strategies (cont'd)

Area of Risk	Risk Factors and Sensitivities	Mitigating Strategies
Market and External Factors	The strength of the Canadian dollar and stringent US/Canada border regulations has affected the number of tourists (especially from the United States).	The RBCM continues to promote itself within the tourism sector to create awareness. The Winter Olympics and Paralympic Games will increase tourism traffic significantly in 2010 (and beyond).
	A general trend towards declining attendance that is being experienced by museums across North America.	RBCM works towards hosting/creating intriguing exhibitions and new exhibitions for all British Columbians and draw new as well as repeat visitors.
	RBCM competes in the international market for exhibitions requiring significant investment of funds.	In the future RBCM plans to build new exhibitions areas capable of hosting major blockbusters. Until then, attractive temporary exhibitions and refurbishment of the world-class galleries will be done to continue attracting new and repeat visitors to British Columbia.

Key Strategies - Opportunities and planned activities

Host "Titanic - The Artifact Exhibition" 2007

The RBCM will host this six-month major blockbuster "Titanic - The Artifact Exhibition" for 2007. The RBCM is the first venue in Western Canada to present this assembly of artifacts collected by RMS Titanic Inc., the only company in the world authorized to recover artifacts from the Titanic wreck site. This major blockbuster is confirmed.

Exhibition BC2008: Celebrating BC's 150th Anniversary as a Crown Colony

In celebrating British Columbia's 150th Anniversary as a Crown Colony the Royal BC Museum will create an exhibition at the RBCM and develop a traveling exhibitions component to tour across British Columbia on the Royal Hudson train. This exhibition allows individual BC communities to add locally significant items emphasizing their distinctive history. The exhibition will open at the Royal BC Museum in 2008 and then travel throughout BC in 2008.

The total cost of the exhibition will be approximately $3.2M (Provincial support – $2M)

- The Victoria based exhibition will be 560 square metres.
- The traveling exhibition will be 240 square metres.
- The exhibition will be enhanced by educational programs based on school curricula.
- A commemorative book will be published and available at each exhibition location.

Women's History Museum

The Royal BC Museum received direction from the Shareholder in May 2006 to establish a Women's History Museum. The RBCM supports the Shareholder's vision of establishing a Women's History Gallery and legacy exhibition, and has presented a proposal to the Shareholder for approval and allocation of budget. When the proposal is approved by the Shareholder, the RBCM will:

- Develop an implementation strategy for the Gallery/Museum for Treasury Board approval which includes options and a detailed financial model; and
- Identifies the funding that will be required from Government to implement the Shareholder's vision.

Electronic Collection Management System Project – 2007

This project has been well underway and is part of the Royal BC Museum's commitment to increasing public accessibility. The database project will digitally record, catalogue, interpret and make accessible the millions of items in the world class collections. This project will be complete in 2007 allowing the public to view the provincial collections from anywhere in the world via the Internet.

Capital Projects

This year the Royal BC Museum will undertake capital projects to upgrade the buildings for life safety and retaining Category A status for major exhibits.

- An upgrade to address the specialized temperature and humidity requirements for the collections in order to preserve the collections and to ensure that the RBCM may continue to house certified Canadian cultural property and qualify for grants and insurance indemnification associated with hosting international traveling exhibits.
- Replace elevators that have not been replaced since their original construction 1969.
- Anchor or replace the exterior marble cladding on the exterior of the buildings to today's building code.
- Replace the disintegrating roof posts for Mungo Martin House which was built in the 1950's to ensure the building maintains its integrity.
- Rehouse the archival visual and audiovisual collections to cold storage to prevent further deterioration and to ensure the preservation of these collections for future generations.

Goals, Objectives, Strategies, Measures and Targets

Performance Measurement Framework

Goals	Objectives	Measures
1. Collections representative of the human and natural history of BC, which are accessible and preserved, and which contribute to the knowledge of current and future generations	1.1 Develop a collection that is significant to BC, representative and authentic	1. Key subjects are represented in collection
	1.2 Longevity of collection protected	2. Magnitude of risk to the collection
	1.3 The collections contribute to new knowledge and education	3. % of visitors reporting increased understanding of BC human and natural history
2. A visitor experience that educates, strengthens our quality of life and ensures new and repeat visitation	2.1 Create exhibitions and programs that engage and encourage visitors to explore the BC story	4. Visitor volume On-site and Website 5. Major exhibitions presented
3. A sustainable, high-performing organization	3.1 Contribute to the economy of BC	6. Economic impact of Corporation - $ generated towards provincial economy
	3.2 Viable finances	7. Revenue earned above Provincial operating contribution 8. Endowments to Corporation
	3.3 Engaged staff	9. % of staff reporting they are satisfied or very satisfied
	3.4 A community that supports and assists RBCM	10. Number of volunteer hours 11. $ value of in- kind service and support

Core Business Areas

The Royal BC Museum has reviewed its goals, objectives and performance measures to better reflect the Corporation's line of business and shifting priorities. As a result of this review, three key goals have been identified. Changes from the 2006/07 – 2008/09 Service Plan are detailed and explained in Appendix A.

Major Programs

- Development, management and care of the collections.
- Public access to the collections.
- Exhibition development.
- Research and interpretation.
- Public and community education.

Goal 1

Collections representative of the human and natural history of BC, which are accessible and preserved, and which contribute to the knowledge of current and future generations

The Royal BC Museum is the only organization in the world dedicated specifically to the preservation of, and education about, the human history and natural history of British Columbia. This goal is critical to the Corporation's mission. The RBCM must ensure that it collects key specimen artifacts and archives that best represent British Columbia's natural and human history. The RBCM must also ensure that it has identified eligible materials, and work to close any significant gaps that may have occurred, while avoiding duplication and any material not significant to the BC story.

The Corporation's unique mandate also means that the RBCM has to preserve all items it collects. The RBCM needs to ensure that all artifacts and archives are placed in an environment that preserves them for the future. This includes protecting them from destruction through accidents, misuse or natural disasters, and by working to conserve and preserve them in good condition. It is critical that appropriate storage for these irreplaceable pieces of BC's history is provided.

Lastly, the goal means that displays of items in the collection should provide opportunities for visitors and researchers to learn and appreciate BC's history.

Objective 1.1

Develop a collection that is significant to BC, representative and authentic.

Performance Measure		Baseline/ Current Year	Target 2007/08	Target 2008/09	Target 2009/10
1.	Key subjects are represented in collection	Identify subject areas and gaps	Close gaps – Detailed target to be developed	Close gaps – Detailed target to be developed	Close gaps – Detailed target to be developed

Key Strategies and Plans

The Corporation has an ongoing Collection Development program, which assesses the value of known artifacts against criteria for inclusion. The program also takes a strategic view; the RBCM seeks to identify previously under-acknowledged sectors and sources to take a more inclusive view of BC's growing diversity.

Importance of the Measure

Assessing whether the RBCM has collected all relevant and significant artifacts in the collection is an ongoing task, based on changes in knowledge, understanding and appreciation of the changing diversity and changing times of BC's history. Measurement of success in this area is a qualitative process. Success is best measured by assessing the comprehensiveness of the collection and any significant gaps, and then attempting to close those gaps.

Data Limitations

The basis for the assessment is necessarily judgmental, based on current knowledge and professional judgment.

Objective 1.2

Longevity of collection protected.

Performance Measure		**Current Year**	**Target 2007/08**	**Target 2008/09**	**Target 2009/10**
2.	Magnitude of risk to the collection	50% of archaeology collection upgraded to waterproof containers in the warehouse	100% of archaeology collection upgraded to waterproof containers in the warehouse		100% of catalogued objects in Helmcken House & St. Ann's Schoolhouse protected by a sprinkler system
			25% of ornithology collection with new labels	50% of ornithology collection with new labels	100% of ornithology collection with new labels
			10% of electronic records with finding aids and location controls	50% of electronic records with finding aids and location controls	100% of electronic records with finding aids and location controls
			10% of original sound and moving images housed in cool or cold storage	50% of original sound and moving images housed in cool or cold storage	100% of original sound and moving images housed in cool or cold storage

Key Strategies and Plans

The Corporation plans to minimize risks to the collection by introducing additional measures to protect the artifacts and archives from damage due to moisture, potential flooding, fire, or earthquake. A Collection Risk Assessment was completed in 2005. The long term goal is to have the highest risks reduced in a cost effective way on a priority basis so the collections will be stored in standard compliant storage.

Importance of the Measure

A key goal of a museum and archives is to ensure that the collection is preserved carefully for future generations. This involves several activities, including preservation and conservation. Internationally, there are standards which describe the storage conditions required to ensure the protection of major types of artifacts or archives. This measure reports on how safe the collection is in the current storage environment, by reporting the percentage of the collection that is stored in accordance with the standards.

Data Limitations

The data for this measure are based on professional judgment and using recognized criteria established by the Canadian Conservation Institute (CCI) and the Canadian Council of Archives. The measure reports on numbers of artifacts and archives, and does not adjust for relative value.

Objective 1.3

The collections contribute to new knowledge and education

Performance Measure		**Baseline/ Current Year**	**Target 2007/08**	**Target 2008/09**	**Target 2009/10**
3.	% of visitors reporting increased understanding of BC human and natural history	Baseline to be set through survey	85%	86%	87%

Key Strategies and Plans

The Corporation plans public programming in a variety of ways to enhance the experience of physical and virtual visitors. This includes: school programs offered on-site and on-line, and complement BC School curriculum; daily public programming offered on-site which is both artifact and archives based (Discover Program, gallery animation); and specialized public programming which is related to special exhibitions developed and offered – the latter being dependent on funding and on the nature of the special exhibition. Provincial outreach program planning and implementation is evolving, will complement/enhance the current on-line offering of "*Living Landscapes*" and is anticipated to include artifacts and archives in a hands-on, off-site "provincial" setting (e.g. memory box program). A multi-year strategy for outreach programming will be developed.

Importance of the Measure

This measure is a good indicator of success in increasing understanding, which is critical to the Corporation's mission. Independent visitor research will be used to establish the baseline.

Data Limitations

The data for this measure are gathered in exit interviews with a random sample of on-site visitors. The data are reliable with 95 % confidence, 19 times of 20, etc. [Note: this measure is for on-site visitations and does not recognize 'virtual' visitors.]

Goal 2

A visitor experience that educates, strengthens quality of life and ensures new and repeat visitation

Objective 2.1

Create exhibitions and programs that encourage visitors to explore the BC story.

Performance Measure		**Baseline/ Current Year**	**Target 2007/08**	**Target 2008/09**	**Target 2009/10**
4.	Visitor volume-Site & Website	2.7 million visitors (incl. page views)	2.835 million visitors (incl. page views)	2.9 million visitors (incl. page views)	3.1 million visitors (incl. page views)
5.	Major exhibitions presented	3 small temporary exhibitions	1 major exhibition 1 small exhibition	Based on plan developed in 2007/08	Based on plan developed in 2007/08

Key Strategies and Plans

The key strategies associated with this measure are about learning and encouragement of learning. The RBCM provides research and support, physical and electronic access, and interpretive services. It also seeks to provide timely, efficient direct access to researchers. The RBCM seeks opportunities to reduce barriers to learning, and provide visitors with experiences that engage them and encourage them to return.

One of the stated mandates of the Corporation is to communicate knowledge of the history of British Columbia through research, exhibitions, publications and other methods. To carry out this mandate requires a variety of programs and activities which may not generate sufficient revenue to be self supporting but which generate benefits to those who receive the services (Students or researches who use the Web site, students who benefit from the Education collection, artifacts to their classrooms or regular school ours of the exhibition hall, etc.).

A collection management system with a web component was purchased in 2006. Once the application is in place a strategy will be developed to provide standardized on-line access to a larger portion of the collection holdings.

Importance of the Measures

Ultimately, the business of the Corporation, and the purpose of collecting and providing access, is to inform and inspire.

Measure 4, visitor volume, is a fundamental measure of success in attracting first-time and repeat visits. The strength of the tourism market is influenced by the new passport regulations, the strong Canadian dollar and fuel prices.

Measure 5 provides an indicator of the ability of the RBCM's exhibit hall to attract visitors and tourists, and also to provide British Columbians with access to world class displays.

Data Limitations

The data for measure 4 are collected by RBCM entrance procedures and website statistics. The data on visitor numbers are tightly controlled and are reliable. Data for measure 5 is based on actual exhibitions presented.

Goal 3

A sustainable, high-performing organization

The Royal BC Museum Corporation, like many other cultural institutions, is striving for greater financial self-sufficiency. To achieve this, the Corporation must diversify its revenue base, and seek new partnerships and business opportunities. It also means that the Corporation must make the best use of its resources.

Museums and archives do not exist in isolation. The way they serve and impact society is complex and often not widely understood. In the case of the RBCM, it has been shown that the RBCM Exhibition Hall acts as a significant draw to tourists, bringing increased revenues to hospitality, retail, and other businesses in the region and the province. The addition of high-profile exhibitions in particular has impacted tourist volumes. The importance and contributions to BC's society, and the draw of local, national and international researchers and collaborators to the archives and the human and natural history collections should not be underestimated. These activities recognize the leadership and importance of the Corporation as a whole, as well as individuals in their specialties in their fields - provincially, nationally and internationally.

Objective 3.1

Contribute to the economy of BC.

Performance Measure		Baseline/ Current Year	Target 2007/08	Target 2008/09	Target 2009/10
6.	Economic impact of Corporation: $ generated towards provincial economy	$14.3 million economic impact - Supporting 511 jobs in the Province	Minimum $14.3 million economic impact - Supporting 511 jobs in the Province	Minimum $14.3 million economic impact - Supporting 511 jobs in the Province	Minimum $14.3 million economic impact - Supporting 511 jobs in the Province

Key Strategies and Plans

The Corporation provides an ongoing economic impact to the Province of BC. In years when special exhibitions are held, the impact increases substantially. The economic impact estimates are derived from spending by the visitors from outside the Region.

The Corporation participates in benchmarking key performance measurements, practices and trends in facility management through the International Association of Museum Facility Administrators. The benchmarking assists in the effort to set and attain standards of excellence and quality in the design, construction, operation and maintenance of a world-class cultural facility. The benchmarking study is completed every year.

Importance of the Measure

Measure 6 provides a key indicator of the Corporation's contribution to the BC economy. There is a significant increase in the economic impact when the Corporation hosts international exhibitions.

Data Limitations

The data for these measures are collected from the financial reporting systems of Corporation, and are reliable. Caution should be used in interpreting the results. Factors affecting the results include improved ancillary services, mounting of special exhibitions, or needed repairs to restore adequate protection to artifacts and archives.

Objective 3.2

Viable finances.

Performance Measure		Baseline	Target 2007/08	Target 2008/09	Target 2009/10
7.	$ revenue earned above Provincial operating contribution	$4.8 million (baseline established in 2005/06)	$6.8 million (fluctuation due to hosting blockbuster exhibit)	6.0 million	6.3 million
8.	Endowments to Corporation	$.7 million (baseline established in 2005/06)	Total endowment at least $1.4 million	Total endowment at least $1.5 million	Total endowment at least $1.6 million

Key Strategies and Plans

The Corporation has examined its capacity to generate revenues and has set specific targets for each of the operating units. These revenue targets are reflected in the revenue earned over the operating contribution received from the Province of British Columbia.

Importance of the Measure

Measures 7 & 8 are a key indicator of the Corporation's progress in diversifying its revenue base and reducing its reliance on government support. The increase in earnings in 2007/08 is as a result of forecasted admission revenue for a blockbuster exhibition.

A key element of alternative funding is endowments. The Corporation's success in attracting endowments is a key indicator of self-sufficiency. These targets will be reviewed once the Development Office is in place.

Data Limitations

The data are drawn from the financial systems of the Corporation and are reliable. Complete self-sufficiency is not a viable target, as several significant activities of the Corporation are non-revenue generating but critical to the public good, such as maintaining the provincial archives and human and natural history artifacts and collections.

Objective 3.3

Engaged staff.

Performance Measure		Baseline/ Current Year	Target 2007/08	Target 2008/09	Target 2009/10
9.	% of staff reporting they are satisfied or very satisfied	75% response rate 3.53 out of 5 (baseline established in 2005/06)	In areas where survey result were below 3 out of 5, achieve 3+	Achieve noticeable positive increase	Achieve noticeable positive increase

Key Strategies and Plans

The Corporation has defined its "people" practices and philosophy. The Corporation's Human Resource/People Plan is regularly reviewed, updated, and programs are introduced, monitored, and revised to ensure staff have the tools, information and motivation they need to respond to the changing needs of visitors. The Corporation undertakes an annual employee survey and documents activities undertaken to address issues raised by employees.

Importance of the Measure

Engaged and motivated staff is a key factor to the RBCM's success. The commitment and energy of staff are vital to maintaining services, and to increasing visitor satisfaction.

Data Limitations

The data for this measure are gathered from an annual staff survey and are reliable.

Objective 3.4

A community that supports and assists the Corporation.

Performance Measure		Baseline/ Current Year	Target 2007/08	Target 2008/09	Target 2009/10
10.	Number of volunteer hours	42,000 hours	+5000 hours reported in blockbuster year	100% of baseline	100% of baseline
11.	$ value of in-kind service & support	Baseline data to be collected in 2006/07	Target to be developed	Target to be developed	Target to be developed

Importance of the Measure

This cultural institution, like many others around the world, is greatly dependent on the enthusiasm and skill of its volunteers. These measures provide a snapshot of the level of volunteering in the community and the support of the business community. Measure 15 looks at the general level of support for the Corporation in the City of Victoria and throughout the Capital Region District, and is a good predictor of the ability to attract and retain volunteers.

Key Strategies and Plans

The Corporation is proud of its active volunteer recruitment and retention program which includes recruitment, training and development for new volunteers; docent training; volunteers matched with staff sponsors to ensure connection of volunteer opportunities to service plan objectives; and, volunteer placement within all areas of the Corporation.

Data Limitations

RBCM tracks the hours provided by volunteers and costs them at a standardized rate. The data are reliable.

Summary Financial Outlook

Operations: Summary Financial Outlook

Resources	Actual	Projections			
($000's)	2005/06	2006/07	2007/08	2008/09	2009/10
Revenue					
Operating contribution - Province of BC	12,105	12,273	14,473	12,648	12,794
Museum admission fees[2&3]	3,036	3,470	6,076	4,331	4,374
Other income[4]	2,316	1,553	1,579	1,599	1,704
Deferred capital contributions	650	318	379	412	292
Donated collections and artifacts	32				
Total Revenue	18,139	17,614	22,507	18,990	19,164
Expenses					
Access Services	3,485	3,329	3,383	3,432	3,485
Curatorial Services	6,092	5,666	5,751	5,831	5,916
Exhibits & Visitor Services[5]	6,371	5,820	9,729	6,510	6,555
Corporate Services[6]	2,930	2,738	3,634	3,162	3,190
Total Expenses	18,878	17,553	22,497	18,935	19,146
Net Income (Loss)	(739)	61	10	55	18
Retained Earnings	12,505	12,566	12,576	12,630	12,647
FTE's by Program Area					
Access Services	26	26	26	26	26
Curatorial Services	37	37	37	37	37
Exhibits & Visitor Services	46	46	46	46	46
Corporate Services	16	16	19	19	19
Total FTE's	125	125	128	128	128
Capital Expenditures	$ 1,254	$ 1,005	$ 1,970	$ 250	$ 405

Footnotes:

1. The 2007/08 operating contribution from the Province includes a one time contribution for creation of an exhibit in celebration of BC's 150th Anniversary as a Crown Colony.
2. Average pricing for admissions is expected to grow in line with average inflation rates (1%) over the course of the next 10 years with the exception of a price growth in 2007/08 related to a planned blockbuster exhibit, and 5% growth in the next years leading to the Olympics with pause in 2010/11.
3. RBCM attendance is influenced by global trends in tourism and fluctuates when hosting temporary blockbuster exhibits. The admission revenues will increase in 2007/08 as a result of hosting Titanic: The Artifact Exhibition.

4. Other income includes earned income, access services, related retail operations, a private/public partnership and gifts in kind (donated collections and artifacts).
5. RBCM operations are supported by a large and dedicated group of volunteers.
6. Corporate services budget will increase in 2007/08 due to the addition of a fundraising and development function. The revenues earned from fundraising have not been shown as the funds will most likely be project specific revenues and endowments.
7. During the past several years the Friends of the Royal BC Museum Foundation has made significant financial contributions to the RBCM. This revenue was earned by the Friends from the operation of the Museum Gift Shop, coat check and public donations.

Operations: Forecast Risks and Sensitivities

Area of Risk	Sensitivities	Financial Implications
Museum Admission Fees	RBCM attendance is influenced by global trends in tourism and fluctuates when hosting temporary blockbuster exhibits.	An operational shortfall developed in fiscal 2006/07 driven in large part by the decline in American visitors to southern Vancouver Island, and also due to factors such as increased competition, rising costs, and a weak US dollar. RBCM experienced its lowest paid attendance in over 10 years. This shortfall was mitigated by a corresponding reduction in expenditures.
Earned Revenues	It is difficult to offset operating cost increases by earned revenue increases. If visitor levels are further depressed, the RBCM's ability to fulfill its mandate may be jeopardized.	The RBCM must earn $6 million in annual revenue in addition to the provincial operating grant to meet essential operating budget requirements of $18.5 million. Earned revenue increases through new sources are not increasing at the same rate as operating costs are increasing, putting strain on available resources. Exhibit revitalization is critical to increased attendance.
Staffing	The RBCM workforce is aging, leading to a potential shortage of professionals. In 2006/07, 5% of staff retired; in the next five years, 53% of Corporation staff are eligible to retire.	Ensuring significant time for knowledge transfer is critical. An investment in employee training and development is being made in order to lessen future recruitment and replacement costs.

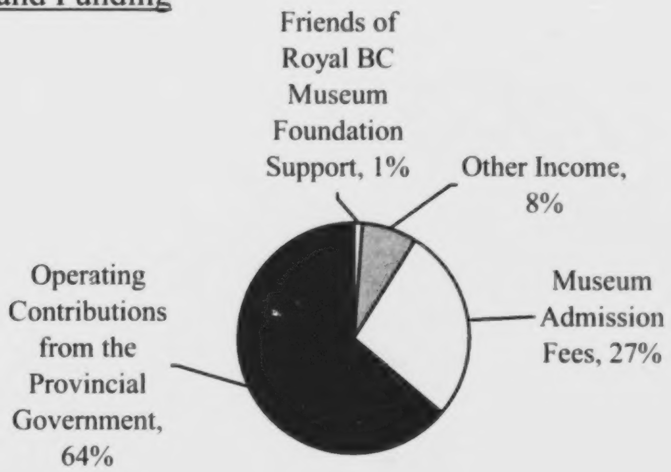
Operations: Key Assumptions

The following assumptions form the context in which the Summary Financial Outlook has been developed:

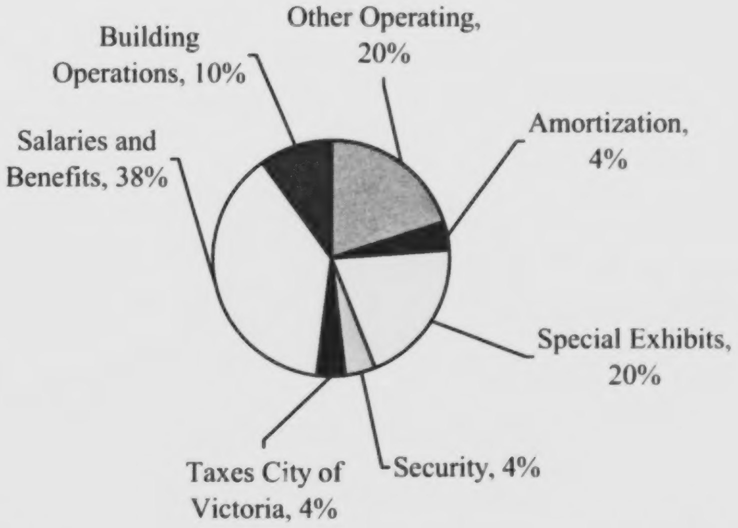
- The collections will develop in size and significance, with inherent increases in care and management required.
- Attendance targets may decline as world events impact travel.
- The BC Treaty Commission process will continue and will require staff time and resources. The RBCM anticipates transfer of some First Nation cultural artifacts and human remains as treaties are completed.
- The visiting public expects renewal.
- An increase in earned revenue and fundraising will be required to deliver core products and programming. A fundraising/development function is being added to RBCM commencing in 2007.

Operational Overview

Revenues and Funding



Opertating Expenses



At present, sixty-four percent (64%) of the RBCM's operations and activities are funded through a contribution from the Province of British Columbia. These funds provide for the preservation and management of Provincial collections.

The balance of operations is funded through earned revenue that is comprised of admissions revenues, royalties, fundraising, related retail operations, grants, and fees for activities.

Contact Information

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Website: www.royalbcmuseum.bc.ca

Appendix 1

A Vision for the Future

The Royal British Columbia Museum (RBCM) has a reputation as one of Canada's great museums. It provides opportunities for British Columbians and people from around the world to view treasures of the past, significant provincial, national and international collections, educational and research programs, and special exhibitions.

However, it has been clear for some time that to become more self-sustaining, RBCM needs to undergo a major revitalization.

A business plan was developed in 2006 in support of the Royal BC Museum's Master Plan. It examined many of the issues around the preservation of collections, including technical, physical, and financial considerations.

The RBCM's expansion and revitalization program includes:

- Design of new Access Services/Curatorial building
- Complete construction of new Access Services/Curatorial building
- Creation of a renewed visitor experience: development of approximately 30,000 square feet of new exhibition galleries, a long-term strategy for temporary exhibitions – both RBCM presentations and touring exhibitions, a comprehensive strategy guiding public and school programming in-house and delivered through outreach.
- Up to four new galleries are proposed to be created, designed to meet the expectations of customers in terms of both technology and access.
- Access to existing galleries would also be improved to allow access for wheelchairs, strollers, and all other visitors.

It is also expected that one of these new galleries would be a Women's History Gallery, meeting a requirement detailed in the Shareholder's Letter. The new galleries will be capable of hosting blockbuster exhibitions as well as permanent displays to showcase Royal BC Museum's extensive collections. A combination of new and renovated buildings will ensure a proper environment to preserve artifacts, collections and archival records against damage or irreplaceable loss. The RBCM will be safer for visitors, provide better function for staff and volunteers, and maximize the enjoyment of visitors for future generations.

This initiative will require many partners, both public and private as well as the Royal BC Museum raising its contribution through increased retail and food service revenues, commercial development, fund-raising and the RBCM's endowment fund.

RBCM's goal is to continue to be a world-renowned museum and archives, maintaining the celebration and preservation of British Columbia's natural and human history, becoming a more financially self-sustaining enterprise, while showcasing British Columbia as the best place on earth.

Changes to Goals, Objectives, Measures

In July & August of 2006, Executive went though a comprehensive review of the Corporation's performance measures. Some of the measures have been changed to be more reflective of the organization.

Previous Goals	Revised Goals	Reason for Change
Goal 1 – The Collections	**Goal 1**- Collections representative of the human and natural history of BC which are accessible and preserved and which contribute to the knowledge of current and future generations	Clarifies description of goal
Goal 2 – The Visitors Experience	**Goal 2** - A visitor experience that educates, strengthens quality of life and ensures new and repeat visitation	Clarifies description of goal
	Goal 3 - A sustainable, high-performing organization	New – reflects goal for high-performance

Previous Objectives	Revised Objectives	Reason for Change
Collections enhancement	1.1 Develop a collection that is significant to BC, representative and authentic	Clarifies description of original objective
	1.2 Longevity of collection provided	Adds an objective to ensure collection is preserved for future generations
	1.3 The collections contribute to new knowledge and education	Describes an objective to support research through the collections
Exhibition and program development	2.1 Create exhibitions and programs that engage and encourage visitors to explore the BC story	Clarifies description of original objective
	3.1 Contribute to the economy of BC	Adds an objective to contribute to the BC Economy
	3.2 Best use is made of existing resources	Adds an objective to ensure return on investment
	3.3 Viable finances	Adds an objective to ensure sound financial management practices
	3.4 Engaged staff	Restates previous employee satisfaction survey objective
	3.5 A community that supports and assists RBCM	Adds an objective to establish and maintain community support

Previous Measures	Revised Measures	Reason for Change
1. Number of new acquisitions	1. Key subjects are represented in collection	Measures the quality of the collection
2. Collections preservation costs	2. Magnitude of risk to the collection	Measures the risk to the collection
3. Risks to collections	3. % of visitors reporting increased understanding of BC human and natural history	Measures an outcome of the effort undertaken by RBCM to raise public awareness
4. Productivity/Efficiency		
5. % increase in usage of RBCM services	4. Visitor volume -Site & Website	Measures volume of usages
6. Service levels and quality (including client and visitor satisfaction)	5. Major exhibitions presented	Measures quality of exhibition program
7. Service levels and quality		
8. Increase alternative sources of revenue (fundraising, provincial/ federal Govt. grant contributions)		
9. Impact of regional programming in BC communities		
10. Brand Awareness		
11. Increase visitation among British Columbians		
12.Employee satisfaction	6. Economic impact of Corporation - $ generated towards provincial economy	Measures economic impact – new
	7. $ revenue earned above Provincial operating contribution	Measures ability to achieve revenue targets – new
	8. Endowments to Corporation	Measures growth of endowment – new
	9. % of staff reporting they are satisfied or very satisfied	Measures staff engagement
	10. Number of volunteer hours	Measures volunteer capacity and community involvement – new
	11. $ value of in- kind service & support	Measures community support

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Tourism British Columbia
2007/08 – 2009/10 Service Plan

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To the Minister of Tourism, Sport and the Arts:

The 2007/08 – 2009/10 Tourism British Columbia Service Plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the contents of this Plan, including the selection of performance measures and performance targets. The plan is consistent with government's strategic priorities and Strategic Plan. All significant assumptions, policy decisions and identified risks as of January 26, 2007 have been considered in preparing the plan.

The Board of Directors of Tourism British Columbia is accountable for ensuring that the Corporation achieves its objectives as identified in the plan and for measuring and reporting actual performance. To be effective in discharging its duties, the Board must adopt best practices in governance and continually enhance its performance. With this in mind, the Board has implemented recommendations of best practice in corporate governance to ensure its policies are consistent with industry standards.

The performance targets in this plan have been determined based on an assessment of Tourism British Columbia's operating environment, forecast conditions, risk assessment and past performance.

This plan describes the programs and activities that will be undertaken over the next three years to respond to the opportunities and challenges arising from prevailing tourism market conditions. It is consistent with the Ministry's broad policy direction and general principles, supporting the government's strategic priorities and overall strategic plan. In terms of measuring corporate performance, all programs are evaluated based on targets identified in the annual Service Plan, and reported in the Annual Report.

Tourism British Columbia is fully committed to the provincial government's long-term goal to double tourism revenues by 2015. Working closely with the Ministry of Tourism, Sport and the Arts, Tourism British Columbia continues to focus on those markets and activities that will deliver the strongest results for the BC tourism industry. The corporation utilizes disciplined research and extensive industry consultation to ensure British Columbia optimizes all opportunities for tourism growth and success. The 2007/08 – 2009/10 Service Plan identifies programs that will further build on marketing initiatives in established markets, as well as expanding efforts in emerging sectors and markets.

Our increased support of Aboriginal Tourism BC's development of export-ready tourism product and our increasingly aggressive marketing in Asia Pacific is an important corporate initiative, as is our commitment to maximize all tourism opportunities associated with hosting the 2010 Olympic and Paralympic Winter Games, together with a supporting marketing strategy for the province's 150th anniversary celebration in 2008.

I would like to acknowledge the leadership and support of the Minister of Tourism, Sport and the Arts, and thank the Board of Directors for their input into the planning process for 2007/08 – 2009/10. In addition, my sincerest appreciation to all Tourism BC staff for their efforts in delivering strategic programs that directly support the province's tourism goals.

Allen Tozer
Chair

ORGANIZATIONAL OVERVIEW

Tourism British Columbia became a Crown corporation in April 1997. Annual funding of $50 million is a combination of the existing hotel tax and an annual operating grant from the Ministry of Tourism, Sport and the Arts. Beginning in 2008, funding estimates are based on Tourism BC receiving all funding from three points of the 8% hotel tax.

The purpose and mandate of Tourism British Columbia are defined under the *Tourism British Columbia Act* as follows:

Purpose:

- To promote development and growth in this vital sector
- To increase revenues and employment throughout British Columbia
- To increase the economic benefits generated by the tourism industry.

Mandate:

- Market British Columbia as a tourism destination
- Provide information services for tourists
- Encourage enhancement of standards of tourist accommodation, facilities, services and amenities
- Enhance professionalism in the tourism industry
- Encourage and facilitate the creation of jobs in the tourism industry
- Collect, evaluate and disseminate information on tourism markets, trends, employment, programs and activities, as well as on the availability and suitability of infrastructure and of services that support tourism activities
- Generate additional funding for tourism programs.

Corporate Principles:

- The need to conduct business in a consultative, responsible and accessible manner
- The importance of promoting all regions of British Columbia and all sectors of the tourism industry to help them to reach their full potential
- The importance of observing and encouraging effective and efficient business practices
- The value of working co-operatively with the public and private sectors.

Tourism BC's vision is to be a recognized world leader in tourism destination management. Our mission is to ensure quality visitor experiences that grow the success of British Columbia's tourism industry.

Corporate values:

- Integrity – what we bring as individuals
- Enthusiasm – what we portray
- Teamwork – how we work together
- Progressive – what we strive for

Organizational Structure

Tourism British Columbia embraces a consumer-driven approach to marketing. We work with private sector and industry partners to bring the right products to the right markets through various distribution channels that reflect the diversity of consumer and travel-trade needs. Tourism BC's governance and organizational structure is as follows:

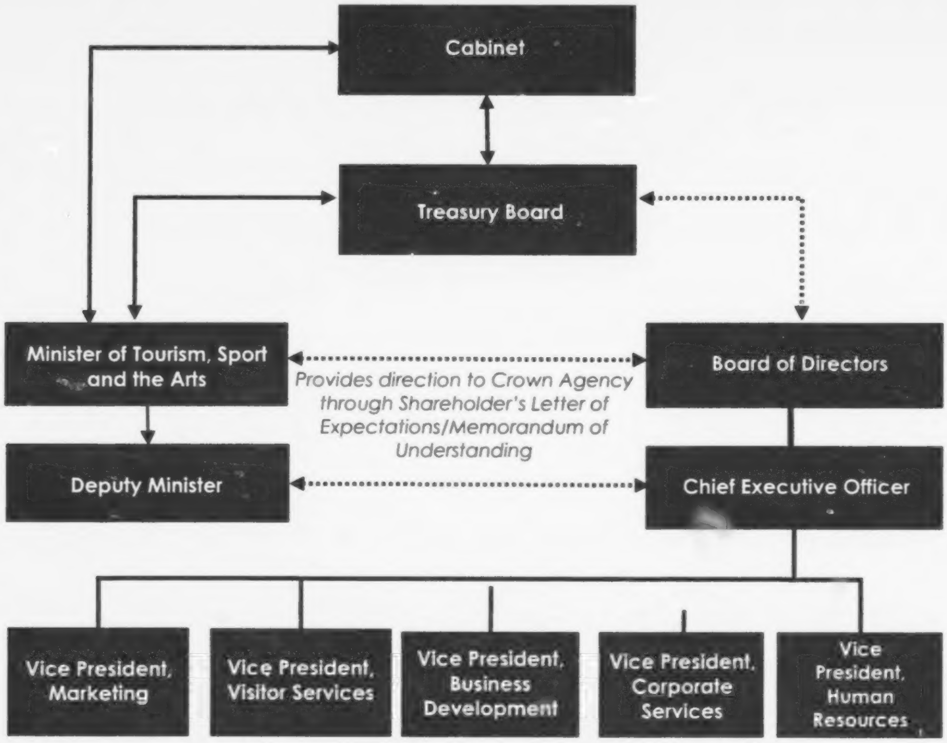

Cabinet
Treasury Board
Minister of Tourism, Sport and the Arts
Board of Directors
Provides direction to Crown Agency through Shareholder's Letter of Expectations/Memorandum of Understanding
Deputy Minister
Chief Executive Officer
Vice President, Marketing
Vice President, Visitor Services
Vice President, Business Development
Vice President, Corporate Services
Vice President, Human Resources

Chart format source: the Shareholder's Expectations Manual for British Columbia Crown Agencies- April 2006

Marketing develops programs geared to consumer and trade promotion to increase demand for British Columbia as a preferred travel destination in key geographic markets.

Visitor Services delivers programs that optimize the BC visitor's experience through enhanced customer service. This includes distribution of information through visitor centres, quality assurance inspections and customer service training.

Business Development assists new and emerging tourism product businesses, communities and sectors in achieving market preparedness and growing their business opportunities.

Corporate Services and *Human Resources* help contribute to the positive performance of the organization through the development and implementation of efficient financial, administrative, information and human resource systems.

CORPORATE GOVERNANCE

Tourism British Columbia is responsible to the Minister of Tourism, Sport and the Arts. It is governed by a 15-member Board of Directors, with management, financial and legal authority under the *Tourism British Columbia Act*. The Board provides policy direction and leadership to the organization and invests the CEO with the responsibility to implement the policies and programs of the corporation.

Governance Principles

The board has adopted the following guiding principles of the provincial government's Governance Framework:

- Stewardship, leadership and effective functioning of the Board
- Clarity of roles and responsibilities
- Openness, trust and transparency
- Service and corporate citizenship
- Accountability and performance
- Value, innovation and continuous improvement.

Enhanced Governance Practices

Following completion of a review by an independent, professional governance expert, the board has enhanced its governance practices, such as using a skills-based approach to identify high-potential candidates for appointment. With continuous improvements to governance, the board can ensure that best practices will better guide the strategic direction of the corporation.

As a result of the review, several other changes have also been instituted, including adoption of a competency matrix, identification of standing committees of Audit/Finance and Governance/Human Resources, evaluation protocols for the Board and CEO, plus annual orientation and skills development for directors.

For a list of Board members, see Appendix 1.

ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN

British Columbia continues to be one of the top drivers of tourism activity in Canada. Above and beyond the natural attributes of the province, this is largely due to the development of a dynamic tourism system – one that combines the strengths of entrepreneurial tourism professionals and focused destination marketing with progressive government policies to allow for province-wide industry success.

Tourism British Columbia is fully committed to promoting development and growth in tourism, increasing revenues and employment throughout BC, as well as increasing the economic benefits generated by the tourism industry. To accomplish this, Tourism BC adheres to a long-term strategic framework that identifies the most effective initiatives necessary to optimize tourism opportunities for the ten-year period from 2005 – 2015. In addition, the corporation has incorporated several initiatives into this Service Plan that have resulted from ongoing alignment with goals and priorities identified by the Ministry of Tourism, Sport and the Arts.

The chart below summarizes the direct relationship of Tourism BC's activities with government's priorities.

Government Goal	Tourism BC (See *Goals, Key Strategies, Performance Measures and Targets* for more detail)
○ **Create more jobs per capita than anywhere else in Canada.** • Double province-wide tourism revenues by 2015 • Maximize tourism opportunities related to 2010 • Promote BC2008 - 150th anniversary celebrations	○ Consumer and trade marketing programs including an enhanced focus on: ○ China marketing strategy ○ Aboriginal tourism strategy ○ 2010 tourism marketing campaign ○ Visitor servicing ○ Outdoor recreation promotion ○ Wine and cuisine tourism promotion
○ **Lead the way in North America in healthy living and physical fitness**	○ Outdoor recreation promotion ○ BC Parks marketing support ○ *Spirit of 2010 Trail* marketing plan ○ Tourism product sector development

PLANNING CONTEXT AND KEY STRATEGIC ISSUES

As depicted by the following chart, achieving industry's overall objective requires a balance between investment in demand and supply activities. Demand activities focus on generating revenue by attracting more visitors, increasing length of visitor stay and increasing daily expenditures. Supply activities support increased revenue generation in a number of ways, such as increasing utilization of existing capacity, adding new capacity and products, as well as providing higher quality products and services that can achieve premium rates.

Tourism British Columbia provides a range of programs – throughout the organization and in partnership with industry – to attract more visitors, improve market readiness and enhance the visitor's experience while in British Columbia.

The focus of this effort is to help move consumers through the marketing cycle: from initial awareness, to interest in the destination, to purchase. After purchase, the goal is to deliver an experience that exceeds the visitor's expectation, increasing the possibility of a return visit or endorsement of the destination to friends and relatives.

A key guide for Tourism BC's long-term planning is the 2005-2015 Tourism Strategic Action Plan. In addition to strategies for marketing and promotion, it provides specific consideration for those activities that will help industry achieve the desired growth of tourism by 2015, and for identifying tourism growth opportunities associated with hosting the 2010 Olympic and Paralympic Winter Games.

2005 – 2015 Tourism Action Plan

OBJECTIVES

- Double provincial tourism revenues by 2015
- Maximize the long-term benefits of the 2010 Olympic and Paralympic Winter Games throughout British Columbia.

STRATEGIES

Key strategies include those to increase demand and revenue and those to increase supply of export-ready tourism experiences.

DEMAND

- Attract more visitors
- Increase the length of a visitor's stay
- Generate higher levels of expenditures on tourism experiences

SUPPLY

- Increase utilization of existing capacity
- Add new capacity and products
- Provide higher quality products for which visitors are willing to pay a premium

MARKETING AND PROMOTION

- Marketing
- Business development
- Visitor servicing

INDUSTRY DEVELOPMENT *

- Development and investment
- Access and infrastructure development
- Tourism workforce

* Please see Ministry of Tourism, Sport and the Arts 2007/08 – 2009/10 Service Plan

Tourism BC's activities are further enhanced by marketing and promotion partnerships with other destination marketing organizations, as well as supply support provided by the Ministry of Tourism, Sport and the Arts.

While the Tourism Action Plan provides strategic direction for Tourism BC's activities, overall performance of the tourism industry provides important context for both short- and long-term marketing decisions.

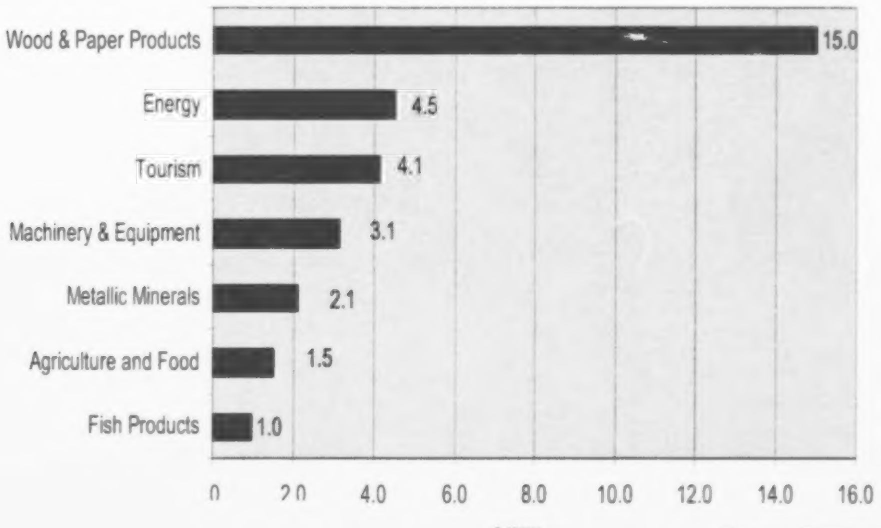
Industry Performance Measures and Future Outlook

With over 18,000 tourism-related businesses and nearly 120,000 people employed in jobs directly related to tourism, the industry has a significant presence in every region of British Columbia.

Key Industry Performance Indicators

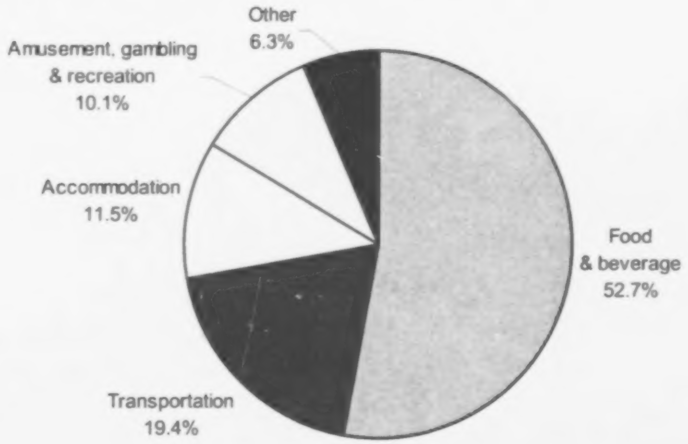
British Columbia Exports

The contribution of tourism as an export industry is significant. Exports are expenditures by non-residents of Canada on goods and services produced in British Columbia. Unlike most industrial sectors, tourism exports occur when BC origin goods and services are purchased by international visitors while in British Columbia, rather than in their home countries. In 2005, the industry had export revenues of $4.1 billion as illustrated in the following chart:



Source: Tourism BC, BC Stats

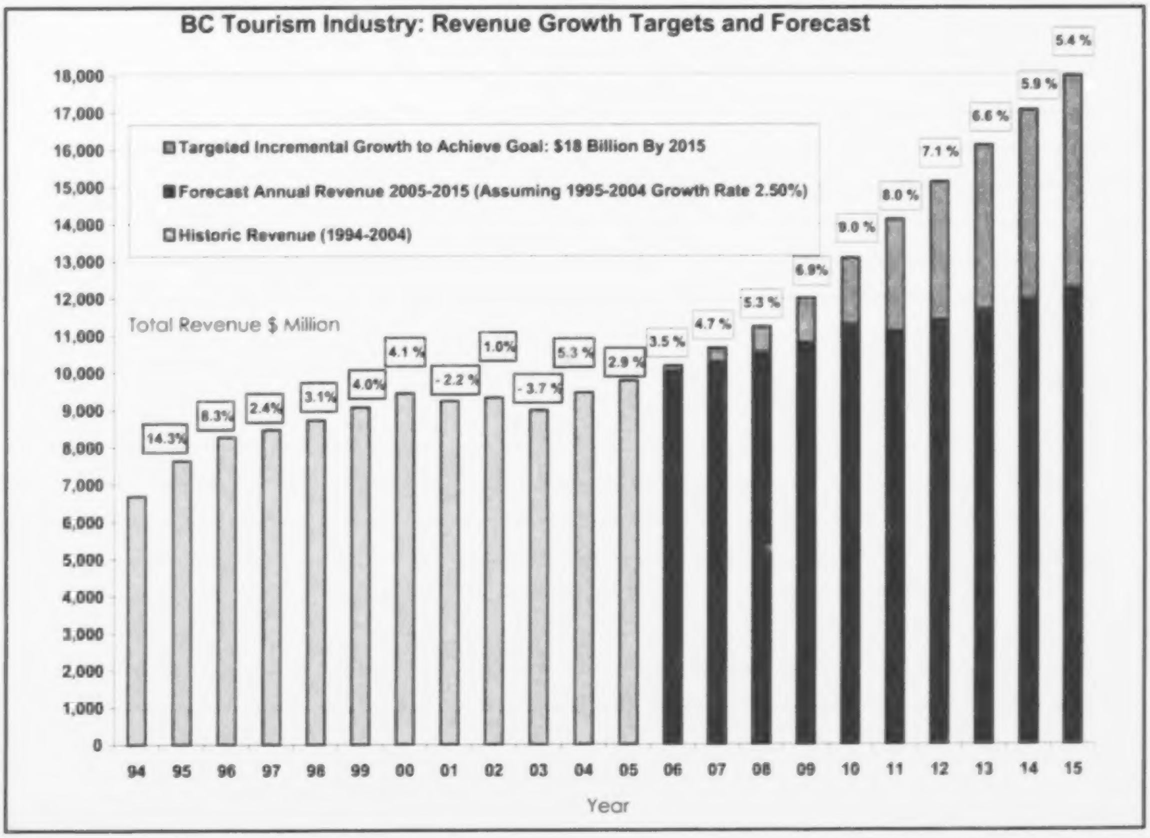
Tourism Employment by Industry Sector



Source: BC Stats, Statistics Canada (Survey of Employment, Payroll and Hours)

BC Tourism Industry: Revenue Growth Targets

The following chart highlights the revenue growth targets required to double provincial tourism revenues by 2015, compared to forecasts based on historical growth rates.



Source: Tourism BC

Tourism Industry Revenues

In the 2006 calendar year, it is estimated that a total of 23.1 million people travelled in British Columbia, an increase of 1.0% over 2005. Corresponding industry revenues for the same period are estimated at $9.98 billion, a 2.0% increase over 2005. This level of performance provides a strong foundation for the growth necessary to achieve the goal of doubling tourism revenue.

Visitor Revenue Forecast

British Columbia's tourism industry is expected to grow steadily over the next three years, with visitor expenditures estimated to increase 10.9% between 2006 and 2009. Worldwide markets are growing, with revenue from the Asia/Pacific region expected to grow most rapidly (19.2%) during this time. There are many factors that may influence the industry; among the most significant may be new US passport regulations and limited air capacity to BC from overseas markets.

$ millions	Estimated Overnight Revenue, 2006	Forecast Overnight Revenue, 2007	Forecast Overnight Revenue, 2008	Forecast Overnight Revenue, 2009	3 year Forecast % Growth in Overnight Revenue, '06 to '09
North America	8,177	8,381	8,739	8,956	9.5%
Asia / Pacific	1,000	1,048	1,116	1,192	19.2%
Europe	725	755	792	831	14.6%
Other Overseas	77	81	85	88	14.3%
Total	9,979	10,265	10,732	11,067	10.9%

North America Revenue Forecast

Expenditures by visitors from North American markets to British Columbia are expected to grow 9.5% between 2006 and 2009. The British Columbia, Canada and Mexico markets are expected to show strong growth, while visitation from the United States will be constrained by new passport regulations introduced in 2007 for Americans returning to the US by air, and, to be introduced in either 2008 or 2009 for Americans returning by land or sea.

The US continues to be a vital market for BC tourism, and 2006 estimates for the US overnight market show an estimated decrease in revenues of 2.1% compared to 2005, a trend that has been experienced across Canada. Though no one single factor can be identified as the sole basis of this, several issues such as narrowing exchange rates, higher gas prices, slower border as well as security processes and confusion about the impending Western Hemisphere Travel Initiative, have become factors in US consumer considerations of Canadian destinations.

$ Millions	Estimated Overnight Revenue, 2006	Forecast Overnight Revenue, 2007	Forecast Overnight Revenue, 2008	Forecast Overnight Revenue, 2009	3 year Forecast % Growth in Overnight Revenue, '06 to '09
British Columbia	2,844	2,959	3,094	3,234	13.7%
Regional Canada	2,000	2,086	2,185	2,294	14.7%
Long Haul Canada	968	1,002	1,043	1,090	12.6%
United States	2,298	2,263	2,343	2,259	-1.7%
Mexico	67	70	74	79	18.7%
North America Total	8,177	8,381	8,739	8,956	9.5%

Asia/Pacific Revenue Forecast

Expenditures by Asia/Pacific visitors to British Columbia are forecast to grow 19.2% between 2006 and 2009, reaching almost $1.2 billion by the third year. Strong growth is expected from most key markets, with China presenting the greatest opportunity. A successful conclusion to Approved Destination Status (ADS) negotiations with China and increased air capacity from Asia and Australia will be key to maximizing the potential of this region.

	Estimated Overnight Revenue, 2006	Forecast Overnight Revenue, 2007	Forecast Overnight Revenue, 2008	Forecast Overnight Revenue, 2009	3 year Forecast % Growth in Overnight Revenue, '06 to '09
Japan	242	245	254	263	8.8%
Australia	194	203	214	226	16.5%
New Zealand	35	37	39	41	17.1%
South Korea	126	130	136	145	15.4%
Taiwan	93	96	100	105	13.2%
Hong Kong	79	81	84	87	11.0%
China	103	115	134	157	52.1%
Other Asia/Pacific	128	141	155	168	30.2%
Asia / Pacific Total	1,000	1,048	1,116	1,192	19.2%

Europe Revenue Forecast

Expenditures by European visitors to British Columbia are expected to grow 14.6% between 2006 and 2009, reaching $831 million by the third year. Steady growth is expected from most European markets. The lack of direct, non-stop air capacity to BC from many European countries is a limiting factor for growth.

	Estimated Overnight Revenue, 2006	Forecast Overnight Revenue, 2007	Forecast Overnight Revenue, 2008	Forecast Overnight Revenue, 2009	3 year Forecast % Growth in Overnight Revenue, '06 to '09
United Kingdom	361	374	393	413	14.3%
Germany	127	133	139	146	14.3%
Switzerland	29	30	31	33	14.3%
France	26	28	30	32	21.1%
Netherlands	40	42	44	46	14.3%
Italy	20	20	22	23	18.7%
Other Europe	122	128	133	138	14.3%
Europe Total	725	755	792	831	14.6%

BC TOURISM INDUSTRY – STRATEGIC ISSUES & RISKS

The most significant long-term challenge for Tourism British Columbia and the BC tourism industry relates to the steep tourism growth rates necessary to double tourism by 2015. To fully realize this goal, all key strategic elements identified in the *Tourism Action Plan* must be executed, without significant impediments. This includes aggressive marketing: Tourism BC is working with the Ministry of Tourism, Sport and the Arts as well as key tourism organizations such as the Canadian Tourism Commission (CTC) and regional and city marketing organizations to vigorously promote British Columbia as a preferred travel destination.

It is important to note that the tourism industry is especially vulnerable to external variables such as economic shifts, international government policies, security trends and even weather. Tourism BC works closely with the Ministry of Tourism, Sport and the Arts, the Council of Tourism Associations (COTA) and the Tourism Industry Association of Canada (TIAC) as issues emerge to provide assistance for any government decisions that may be necessary.

The planning context and revenue forecast for this three-year service plan take into consideration a number of factors that may influence the competitiveness of the BC tourism industry. Among the most significant issues facing tourism in the province are the following:

US Visitation. Visits from the US have declined since 2001, largely due to increased security measures and the strong performance of the Canadian dollar against the US dollar. This has particularly impacted same-day visitors who are valuable to close-in destinations such as Vancouver and Osoyoos. Tourism BC continues to monitor these issues, and will re-focus its promotional programs accordingly.

The Western Hemisphere Travel Initiative. US passport requirements for re-entry to the United States for American visitors travelling by air will impact visits in 2007 and beyond. The second phase of the program is scheduled to begin as early as January, 2008, which would include land and sea border crossings (including ferries). Though registration for new US passports has been strong, far fewer than 50% of all Americans have passports.

GST. The federal government announced cancellation of the GST rebate in 2006, which will result in price increases for international packaged travel as tour operators are required to charge and remit GST.

Air Access. The federal and provincial governments are working to open more access to Canadian airports for foreign airlines, as a lack of direct-air seat capacity is one of the major constraints to growth from many markets, including Asia Pacific.

China: Approved Destination Status (ADS). Though Canada and China formally agreed to begin negotiating Approved Destination Status in January 2005, a final agreement has not been achieved to date. Despite significant potential from this market, Tourism BC cannot advertise in China until an agreement is signed. For the purposes of the 2007/08 – 2009/10 Service Plan, Tourism BC is estimating that the first Chinese visitors whowill travel to Canada for pleasure purposes as a result of ADS will begin in 2009.

Human Resource Development. 84,000 new workers will be required in order to meet the target of doubling the size of the tourism industry by 2015. This will require tourism training in both the secondary and post-secondary systems, as well as in the workplace. An expansion of recruitment efforts to target under-represented and foreign workers is also required.

GOALS, KEY STRATEGIES, PERFORMANCE MEASURES AND TARGETS

The 2007/08 – 2009/10 Tourism British Columbia Service Plan focuses on programs that directly contribute to achieving two long-term objectives:

1. **Double provincial tourism revenues by 2015.**
2. **Maximize the long-term tourism benefits of the 2010 Olympic and Paralympic Winter Games for all of British Columbia.**

Working with industry, Tourism BC has identified four primary goals to accomplish these objectives:

- **Increase provincial tourism revenues by attracting visitors from both "volume" markets (British Columbia, Alberta and Washington) and "high-yield" markets (long-haul North America, Asia/Pacific and Europe).**
- **Optimize the BC visitor's experience through enhanced customer service.**
- **Improve tourism market readiness of new and emerging tourism sectors and products.**
- **Create a positive corporate culture within an efficient and effective organization.**

Key Strategies

Above and beyond a wide variety of programs and activities undertaken by Tourism BC, four strategic priorities have been identified as being critical to the long-term success of the industry:

- 2010 Olympic and Paralympic Winter Games tourism strategy
- China marketing strategy
- E-business strategy
- Aboriginal tourism marketing strategy

1. 2010 Olympic and Paralympic Winter Games

A major goal of Tourism British Columbia is to maximize the long-term tourism benefits of the 2010 Olympic and Paralympic Winter Games for all of British Columbia. Review of past jurisdictions that have hosted Olympic games has shown that to maximize benefits, the government and tourism industry must have both a well co-ordinated approach and a well-executed, adequately funded marketing plan before, during and after the games.

With the games three years away, BC is well positioned for success. Tourism BC has formed strong partnerships with the Ministry of Tourism, Sport and the Arts, the BC Olympic Games Secretariat, tourism industry partners and the Vancouver Organizing Committee (VANOC) to co-ordinate planning and leverage marketing efforts.

Along with these partners, Tourism BC is launching a comprehensive tourism marketing program beginning in 2007/08 to maximize the tourism benefits of hosting the 2010 Olympic and Paralympic Winter Games.

Key Strategies – 2010 Olympic and Paralympic Winter Games

- Work with the Vancouver Organizing Committee (VANOC) and other partners to develop a streamlined accommodation management solution for managing IOC family and spectator accommodation (500,000 room nights during the games period)
- Develop and implement an accommodation accessibility program to support VANOC's objective to have the most accessible Olympics ever
- Work with partners to expand Tourism BC's media relations program to maximize exposure of BC and Canada to accredited and unaccredited media and key sponsors before, during and after the games
- Develop a travel-trade program that will help to offset a potential "aversion" effect of hosting the games and highlight new opportunities for the tourism trade
- Enhance existing consumer direct-marketing campaigns by incorporating new Olympic messaging and official Olympic logos into destination advertising
- Develop an integrated visitor servicing plan with key partners and VANOC that helps to ensure an excellent customer service experience for all spectators and visitors
- Coordinate tourism marketing opportunities for BC communities, sectors, and regions in Beijing 2008, Vancouver 2010 and London 2012.

2. China

The Chinese market represents a significant opportunity as a source of new business for British Columbia. Although visits from China to BC continue to increase, the full potential will not be realized until Approved Destination Status (ADS) has been negotiated and an agreement between the Chinese and Canadian governments is in place.

An ADS agreement is important as it allows for Chinese citizens to travel to a destination in group tours authorized by the China National Tourism Administration. ADS is not required for Fully Independent Travel (FIT), Incentive, Business/Technical, Education and Government travel, but non-ADS countries may not advertise tourism experiences to the public and Chinese travel agents are not permitted to advertise travel packages to their potential customers.

Despite these restrictions, Tourism British Columbia has been very active, working in close partnership on Canadian Tourism Commission Chinese initiatives since 1999. Strategic priorities focus on readiness for ADS and maximizing non-ADS business. Key successes to date include:

- Hosting a range of media and travel trade activities
- The launch of a comprehensive Chinese language website www.HelloBC.com.cn
- Having a major presence at the CTC-produced Showcase Canada held in March 2006 in Shanghai
- Hosting a variety of meetings, including an industry one with Premier Gordon Campbell and Minister Stan Hagen at China International Travel Mart in November, 2006.

Key Strategies – China

- Continue the close working relationship with CTC China
- Use unpaid media to create awareness and interest
- Educate key travel-trade accounts on BC products and experiences.

3. E-business

Over the past decade, the Internet has experienced rapid growth and has become a mainstream media. As a result, the Internet is now the primary source for consumers to plan and purchase travel.

The Internet is constantly evolving and word-of-mouth information has gone global, with millions of consumers sharing their travel experiences online, through blogs and social travel websites such as tripadvisor.com and igougo.com.

In addition, a growing number of consumers will soon be taking the Internet with them wherever they go through mobile devices. Access to information will allow consumers to find directions, restaurants, accommodation, sights, activities and events based on their location, wherever they are – changing the way travellers experience their trips.

Marketing Technology

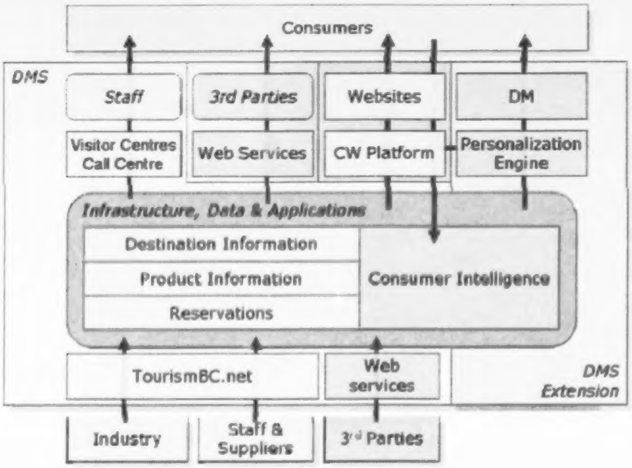
Beginning in 2002, Tourism British Columbia embarked on a long-term marketing technology strategy. The goal: to become an advanced online business to help the BC tourism industry compete in the increasingly important and ever-evolving world of online marketing.

The main objective was to find ways to efficiently and effectively connect consumers with BC tourism products and experiences through their preferred communication channel. To be useful to consumers in their efforts to plan and purchase the composite of products that make up the experience, this information needed to be comprehensive, timely, accurate and digital.

The first important step in realizing this vision will be the completion of Tourism BC's Destination Management System (DMS). Features of this system, which serves as the base for the organization's technology-based marketing efforts, include:

- Centralized infrastructure, databases and enterprise applications to support the collection of relevant information
- TourismBC.net, a new website allowing all tourism businesses to join new and existing programs and provide product information
- A library of destination information that can be accessed and managed by Tourism BC staff and industry suppliers
- A new reservation system, implemented in fiscal 2007/08, that supports the purchase of BC tourism product
- Call centre and visitor centre network access to the information.

Destination Management System (DMS)


Consumers
DMS
Staff
3rd Parties
Websites
DM
Visitor Centres Call Centre
Web Services
CW Platform
Personalization Engine
Infrastructure, Data & Applications
Destination Information
Product Information
Reservations
Consumer Intelligence
TourismBC.net
Web services
DMS Extension
Industry
Staff & Suppliers
3rd Parties

A new Consumer Web Platform (CW) supports online marketing initiatives around the world, fully utilizing the data in the DMS system. Key advantages include:

- A technology foundation, integrated with the DMS system to support the development of market specific websites
- Easy-to-use websites with comprehensive content and tools to assist consumers in their trip planning
- Support for promotional activities and marketing campaigns.

The CW platform has led to the creation of market-specific websites for North America, the United Kingdom and Australia.

Further strategic initiatives are planned over the next three years to enhance Tourism BC's marketing initiatives through the use of technology, and to realize the full benefits of this marketing technology before, during and after the 2010 Winter Olympic and Paralympic Games.

Key Strategies – E-business

- Integrate Japanese, South Korean, Taiwanese, German and Chinese market websites into the CW platform
- Continue to expand content on all websites by working with the tourism industry and utilizing consumer-generated media to create timely, compelling and accurate information
- Further improve the user experience through the CW platform by implementing trip-planning tools, including transactional systems and interactive maps
- Extend the DMS platform to include a database marketing system to facilitate the collection of consumer intelligence and execute highly personalized marketing through all channels
- Distribute content to additional channels, including tourism partners and third parties through web services
- Investigate the opportunity of building a website geared specifically to travellers accessing the Internet through mobile devices.

4. Aboriginal Tourism Development

One of the major goals of Tourism British Columbia and the Ministry of Tourism, Sport and the Arts is the development of Aboriginal tourism.

Over the past four years, Tourism BC has worked closely with the Aboriginal Tourism Association of BC to produce the *Aboriginal Cultural Tourism Blueprint Strategy for British Columbia*.

For fiscal 2007/08, Tourism BC will work closely with the Aboriginal Tourism Association of BC, the Ministry of Tourism, Sport & the Arts and other related stakeholders to implement this strategy through the 2010 Winter Olympic and Paralympic Games cycle. During this period, Tourism BC is committed to investing $5 million as the province's contribution to this cultural product sector.

Key Strategies – Aboriginal Tourism

- In partnership with the Aboriginal Tourism Association of BC, implement the strategy's year one tactics
- Provide in-house expertise in areas of marketing development and promotion
- Integrate the Aboriginal tourism strategies into Tourism BC's existing delivery systems

Performance Measurement System

The performance measures identified in this section focus on core activities and outcomes of the organization. To review the objectives and data source of each performance measure, please refer to Appendix 2.

Goal 1: Increase provincial tourism revenues by attracting visitors from both "volume" markets (British Columbia, Alberta, Washington) and "high-yield" markets (long haul North America, Asia/Pacific and Europe).

BACKGROUND

Tourism British Columbia's consumer-driven strategies target key geographic markets to increase demand for British Columbia as a preferred travel destination. Strategies focus on building awareness, interest, knowledge, purchase and repeat purchase. Spending is focused on two key revenue-generating markets: those in close proximity to (or residing in) BC, which produce high volume and have high repeat potential; and those farther away (long-haul Canada, US and overseas), which deliver visitors that tend to stay longer and spend more on a daily basis. By balancing efforts against repeat visitation from closer-in markets and trial higher yield, longer haul markets, growth in tourism revenue can be optimized.

Tourism BC also looks to a balanced portfolio as the underlying basis for the corporation's marketing strategy. By maintaining a mix of markets worldwide, multiple goals can be pursued and overall tourism revenue buffered against dramatic shifts which may impact specific markets. The key tactic used to increase awareness of BC as a tourism destination is through media relations activities that generate unpaid coverage in print, broadcast and online media.

Tourism BC's paid media utilizes a range of targeted direct media, including direct-response television, print, online, out-of-home and direct mail (both electronic and hard copy). Consumer marketing campaigns reflect the products of interest and travel planning/booking behaviours of each market. A fundamental goal of these activities is to connect consumers to the product of their choice through the channel of their choice – which is increasingly online.

Some markets and segments research, plan and book their travel independently; others tend to use the travel trade (i.e. tour operators and travel agents). Generally, overseas markets are more trade focused and North American markets more independent, with segments in both groups that counter the norm.

Tourism BC also focuses on curricula marketing, which utilizes information provided by consumers to the corporation to create customized, relevant communication.

NORTH AMERICA

Markets

"Volume markets" are those which comprise large numbers of visitors. Key markets in this category include BC, Alberta and Washington. Priority "high yield" markets include California (particularly Los Angeles and the San Francisco Bay area), Oregon and Ontario. Emerging markets include Mexico.

Product Focus

Tourism British Columbia's major marketing efforts are directed toward the North American touring sector, which encompasses activities such as sightseeing, shopping and cultural experiences. Consumer direct campaigns and co-operative programs focus on the following product sectors: ski, golf, outdoor adventure, fishing, guest ranches, health and wellness, wine and cuisine, plus meetings and incentive.

Target Audiences

Consumer programs target both repeat and new visitors. Touring campaigns target frequent travellers, ages 35-55 and 55+, who have above-average incomes and education. Sector campaigns address a broader variety of demographics, depending on the activity. For example, outdoor adventure targets consumers ages 30-45 with very active lifestyles.

Key Strategies

The lead strategy is to provide consumers with information, planning tools and product to purchase through their chosen channels. Tourism BC uses a combination of trade, consumer direct and media relations to address various consumer purchasing behaviours and stages of the purchase cycle. They are as follows:

Consumer

- Fulfill consumer demand for detailed planning information and increase opportunities for industry to reach consumers by expanding online product listings to include activities and attractions as well as accommodations
- Enhance existing consumer direct marketing campaigns by incorporating new Olympic messaging and official Olympic logos into destination advertising where applicable
- Develop and deliver highly targeted, integrated consumer campaigns that reach high-potential travellers, utilizing a direct marketing approach:
    - Continue the **BC Escapes®** campaign, which offers price-point packages to high-potential markets (including domestic BC, Washington, Alberta and California), reaching consumers who are interested in BC for both vacations and getaways
    - Target a younger, more active audience with an outdoor activities campaign that promotes outdoor recreation, including BC Parks

  - Build investment in a province-wide ski/winter campaign that leverages the upcoming 2010 Olympic and Paralympic Winter Games to enhance awareness of and visits to all export-ready resorts in BC
  - Develop an integrated golf campaign that leverages BC's designation by the International Association of Golf Tour Operators (IAGTO) as 2007 Best Golf Destination in North America
  - Introduce wine and cuisine campaign
  - Participate in "North to Alaska" cooperative marketing initiatives
  - Continue to produce and distribute consumer publications that support trip planning (Approved Accommodation Guide, Vacation Planner, Outdoor Adventure Guide) and provide inspirational content to increase awareness (**British Columbia Magazine®**)
  - Enhance trip planning functionality and access to information on the consumer website to support campaigns and general trip planning
  - Upgrade consumer marketing database functionality to enhance customized, relevant communication for potential travellers.

Co-operative/Partnership Programs

- Support regionally-focused marketing activities such as advertising, publications and consumer and trade shows, plus provide co-operative marketing opportunities to businesses through the Tourism Partners Program
- Provide cost-shared funding opportunities for small/emerging sectors (including guest ranches, spas, fresh and saltwater fishing, BC cruises) through Experiences BC Marketing Application program
- Enhance the meetings and incentive initiatives of major destination marketing organizations (DMOs) through Meetings BC proposal-based co-operative program
- Provide opportunity for iconic cities to further develop niche programs (e.g. Gay and Lesbian, Cruise) through City Stays program funding.

Travel Trade

- Increase BC's position with the travel trade through educational programs, co-operative marketing campaigns, familiarization tours, sales calls and marketplaces that connect suppliers with tour operators
- Develop a travel-trade program that will help to offset a potential "aversion" effect of hosting the 2010 Olympic and Paralympic Winter Games and highlight new opportunities for the tourism trade.

Media Relations

- Continue to build awareness of BC's tourism products with media through press trips targeting key media, providing story ideas and content to key media, as well as assisting industry to bring journalists through the Visiting Journalist Program
- Leverage 2010 awareness by integrating messaging and developing tools for media use; develop a coordinated media relations plan to address 2010 opportunities before, during, and after the Games with DMO partners, Olympic secretariat, CTC and VANOC among accredited and unaccredited media and key sponsors
- Develop messaging regarding BC2008 for media distribution.

OVERSEAS: EUROPE

Markets

European markets are considered "high yield" due to the longer duration of their stays and higher daily expenditure. Within Europe, priority markets include the UK and Germany; emerging markets include the Netherlands, France, Scandinavia and Italy.

Product Focus

Touring experiences, often featuring both Alberta and BC, represent the largest market potential. Activities include sightseeing, nature and wildlife viewing, golf, spas, rail, RV touring and Aboriginal cultural experiences. Ski is becoming a larger focus as many visitors are becoming aware of the quality of ski resorts throughout the province.

Target Audiences

Primary focus is on consumers with an existing awareness of Canada, specifically older/affluent consumers who have travelled internationally. Ski efforts target a younger, more active audience - frequent skiers who have been to other international resorts for a ski vacation.

OVERSEAS: ASIA PACIFIC

Markets

Asia/Pacific markets typically are classified as "high yield" due to a combination of longer stay (especially Australia) as well as higher-than-average daily expenditures. Priority markets include Japan, Australia, Taiwan and South Korea. China is the single largest emerging market, with significant long-term potential for tourism. India is a market that will be monitored closely for future consideration as an emerging market.

Product Focus

Touring –sightseeing, shopping, health and wellness, nature and wildlife viewing– represents the largest focus of effort. Ski is a particularly strong product in Australia.

Target Audiences

Leisure travellers with an existing awareness of Canada are the primary target, particularly older, affluent couples with some international travel experience. In Japan, women age 30+ continue to be trendsetters; media relations efforts often target this group. In Australia, younger, more active consumers are targeted for ski, while older, independent travellers are the focus of touring efforts.

Key Strategies

In overseas markets, the core strategies are to build relationships with key industry stakeholders and to reach consumers directly though on-line activities.

Consumer

- Develop and promote visits to foreign websites in UK, Australia, Japan, South Korea, China and Germany
- Initiate online and database marketing
- Participate in CTC-led consumer campaigns where applicable
- Provide foreign language publications with printed material to fulfill consumer requests.

Media Relations

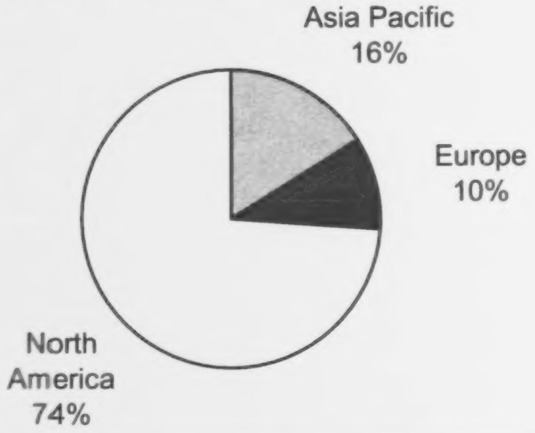
- Increase consumer awareness of BC tourism product through targeted media relations initiatives, including press trips
- Leverage 2010 awareness with markets that have a strong historical relationship with the games.

Travel Trade

- Increase sales of BC product through the travel trade by providing education to key accounts through seminars, foreign language publications and trade fam tours
- Develop co-operative consumer campaigns with call-to-action to key trade accounts

- Provide opportunities for BC tourism businesses to meet overseas tour operators by annually co-hosting Canada's West Marketplace
- Host Rendezvous Canada in May 2008 to showcase BC and leverage awareness of the 2010 Olympic and Paralympic Winter Games
- Develop a travel-trade program that will help to offset a potential "aversion" effect of hosting the Games and highlight new opportunities for the tourism trade.

Goal 1 Investment: $26.6 million



Goal 1: Increase provincial tourism revenues by attracting visitors from both "volume" markets (British Columbia, Alberta, Washington) and "high yield" markets (long-haul North America, Asia/Pacific and Europe).

Performance Measures	Performance Targets				
	2005/06 Actual	**2006/07 Forecast**	**2007/08**	**2008/09**	**2009/10**
Return on investment - Tourism BC North America consumer marketing campaigns (tourism revenues per $ invested)	12.5	12.0	12.0	12.0	12.0
Equivalent dollar value of unpaid editorial coverage worldwide ($ millions)	126.5	180	190	250	300
Unique visitors to consumer websites worldwide (millions)	0.9	4.0	5.0	6.0	7.0
BC's share of Canadian product in key tour operator offerings: North America Europe Asia	 40% 38% 65%	 42% 38% 60%	 40% 38% 60%	 40% 38% 60%	 40% 38% 60%
Number of consumers in worldwide marketing database (millions)	1.0	1.2	1.3	1.5	1.8

Goal 2: Optimize the BC visitors' experience through enhanced customer service.

BACKGROUND

The quality of a visitor's vacation experience while in British Columbia is critical to the ongoing success of the tourism industry. In the long term, British Columbia's tourism industry must continue to grow its reputation as a provider of high-quality services and products. Tourism British Columbia's strategies under this goal are designed to:

- Ensure that visitors have access to the information required to make informed purchasing decisions
- Continue to enhance standards of tourist accommodation, facilities, service and amenities
- Enhance professionalism in the tourism industry.

The Visitor Services division works directly with visitors and industry to help enhance the quality of the BC vacation experience. Programs and services cover the complete purchase cycle, from providing information to booking the vacation to ensuring that the services, accommodations and attractions are high quality and encourage repeat visits.

Over the next three years, technology will play an even greater role in moving Tourism BC to an advanced online business. Early in 2007, industry suppliers will be able to register their products and services through TourismBC.net and participate in marketing programs online. A new reservation platform, that will be introduced in the fall of 2007, will provide increased functionality and further assist consumers in booking their vacation to BC. Moving towards 2010, accessibility standards for all accommodation, plus visitor servicing training for all volunteers, will become priorities for implementation.

VISITOR SERVICES AND SALES

Provincial Gateway Visitor Centres

The provincial government devoted $8 million in funding for new Gateway Visitor Centres as part of a Golden Era commitment. This has allowed Tourism British Columbia to build or upgrade a series of centres at key entry and geographical points, including Peace Arch, Merritt, Osoyoos, Golden, Mount Robson Provincial Park and Vancouver International Airport. The new centres present an opportunity to impress the visitor through dramatic visual displays, unique building designs and locations, as well as a through a number of products/services designed to enhance the vacation experience in British Columbia.

Key Strategies

- Tender contracts and complete construction of all gateway centres
- Provide accurate and timely information on tourism products and services, and, as appropriate, make reservations/bookings on behalf of the industry
- Set the standard for visitor service by achieving excellence on the semi-annual Quality Service Evaluation Audits
- Increase visits to the centres through integrated marketing programs, improved signage and relevant services.

Visitor Centre Network – Community Visitor Centres

Serving almost three million visitors annually, the 110-member community-operated Visitor Centre Network provides an important link between our tourism industry and the visitor. Visitor Centres welcome travellers as well as provide accurate and up-to-date information and services on the community, region and province. As the frontline of BC's tourism business, their service has a direct impact on the impressions and the experiences of each visitor and contribute significantly to the tourism economy. Extensive research has proven that travellers who frequent a Visitor Centre will extend their stay and visit more tourism products and services.

Key Strategies

- Increase volume to Visitor Centres through cross promotion of distribution channels and integration with marketing programs
- Use quality service evaluations to improve service across all Visitor Centres
- Increase promotion of tourism products and services by improving training tools and delivery
- Improve service delivery of timely and accurate information on tourism products and services by upgrading technology and increasing access
- Support availability of community publications in all Visitor Centres
- Explore additional products and services available to visitors such as Internet access.

Product Sales/Call Centre/Fulfillment

Tourism BC assists operators to sell product direct to consumers through the Product Sales program. Accommodation reservations for over 600 properties are currently made through Tourism BC distribution channels. In the fall of 2007, the addition of activity, attraction and transportation tickets will provide a full suite of tourism experiences for purchase.

One of the key distribution channels is the 1-800 **HELLO BC®** call centre, which provides one-stop information and reservation services to over 200,000 visitors a year. A complete BC travel experience from accommodation or BC Parks reservations, to trip planning and publication distribution, is provided free of charge by trained sales agents. Information kits are distributed through the Tourism BC Distribution Centre located in Coquitlam.

Key Strategies

- Implement the Product Sales program for activities, attractions and transportation across all distribution channels including the Visitor Centre Network
- Implement a new reservation platform that will facilitate more streamlined transactions and increase revenue opportunities for the tourism industry.

2010 Accommodation Management Program

In support of the 2010 Olympic and Paralympic Winter Games, Tourism BC will provide a fully integrated accommodation management system to manage accommodation inventory needs for the Games. Utilizing proven infrastructure, this accommodation solution will maximize the tourism benefits to BC, ensure a positive tourism experience regarding accommodation, and acquire the experience in people and technology for use in future games or major events as a post-games legacy.

As partners, VANOC and Tourism BC have the opportunity to provide a much stronger solution for accommodation management than that of a typical customer/vendor relationship. The complementary needs and abilities of the two organizations provide the opportunity to collaborate on a more comprehensive solution encompassing technology, staffing, training and customer service.

The solution will create a seamless, one-stop source (Internet, call centre) for the client whether they be part of the Olympic family or general visitors/spectators. The industry will have the advantage of using a familiar system and partner with all venue location requirements being handled in one system.

Key Strategies

- Complete system for inventory loading and usability by April 2007
- Deploy system for full implementation by November 2007
- Utilize system in test events through 08/09 leading up to the Games in February 2010.

Travel Information Management

Visitors view Tourism BC as the unbiased authority of provincial travel information. The Travel Information Management unit is dedicated to the research, collection and verification of all information pertaining to travel in BC. Through strong regional and community relationships and utilizing DMS technology, marketing programs are supported by providing high quality factual travel data.

Key Strategies

- Ensure Tourism BC has the most accurate and up-to-date travel information available by researching, collecting and verifying travel information using our Travel Information Management System.
- Expand the range and depth of travel information through relationships with the tourism industry
- Leverage the full spectrum of DMS and increase efficiency through further automation
- Increase awareness and usage of travel information through education and accessibility.

TOURISM PRODUCT MANAGEMENT

Quality Assurance

Accommodation that meets and exceeds visitor expectations plays a vital role in securing loyal, repeat customers. Tourism British Columbia's Quality Assurance team works with the hospitality industry to enhance accommodations and attractions through industry counselling, approved accommodation programs, including Access Canada, Canada Select and Camping Select rating programs, as well as highway signage programs.

This unit conducts inspections in accommodation products throughout the province to support Tourism BC's HelloBC listing program for accommodations as well the Hotel Association of Canada's Canada Select and Camping Select rating programs and Access Canada, a rating program for facilities and services provided for people with disabilities.

Key Strategies

- Provide consumers with confidence in the quality of accommodation product in British Columbia through inspection and rating programs
- Work with key accommodation associations to maximize the opportunities to influence the quality of the accommodation base throughout BC
- Introduce efficiencies by adopting the use of technology
- Maintain a bi-annual inspection cycle.

2010 Accommodation Accessibility

Tourism BC is committed to accessibility standards of all accommodation products in BC. This program supports the VANOC goals of presenting an integrated Olympic and Paralympic games and providing accessible accommodation information to both the Olympic family and consumers. This multi-year project will result in a complete set of data on accessible accommodation in BC, which can then be utilized by tourism agencies to market the province as an accessible destination to visit.

Key Strategies

- Finalize the assessment tools and standards for the project
- Complete 500 assessments in the Lower Mainland and Whistler by April 1, 2008
- Develop data management processes to make information available for marketing agencies.

Product Service & Support

Tourism BC recognizes the need for a single point of contact for the tourism industry to register with Tourism BC and enrol in marketing programs. Tourism Product Services and Account Management meets this need by providing assistance, counsel and support to tourism businesses throughout the province.

Tourism Product Services provides telephone and online support to tourism businesses for program registration, program participation counselling, problem resolution and signage. In addition, staff conduct thorough quality assurance reviews of all product information provided before it is published online or in publications. Account Management provides in-person support to key tourism businesses and represents Tourism BC at industry events, functions and associations.

Key Strategies

- Provide tourism suppliers with timely and effective assistance through their chosen contact channel: telephone, email, fax or in-person sales calls
- Ensure Tourism BC registration program participation targets are met or exceeded.
- Ensure published product information meets Tourism BC's standards for quality and accuracy
- Resolve problems and complaints within established service guidelines.

TRAINING SERVICES

SuperHost®

Superior customer service is a key factor in determining the quality of the visitor experience and in building customer loyalty, and as such is an inherent part of the tourism marketing cycle. The Training Services unit works with industry to ensure the industry consistently delivers quality experiences that will extend the stay and ensure repeat visits.

Training Services develops curriculum materials and supports community organizations that deliver the SuperHost product family, Tourism British Columbia's internationally recognized visitor service training workshops. Every year, nearly 20,000 participants in British Columbia attend any of the eight SuperHost workshops.

WorldHost®
A program of initiatives and resources for communities that are hosting events, conventions or meetings at a community, provincial or world level that require volunteers.

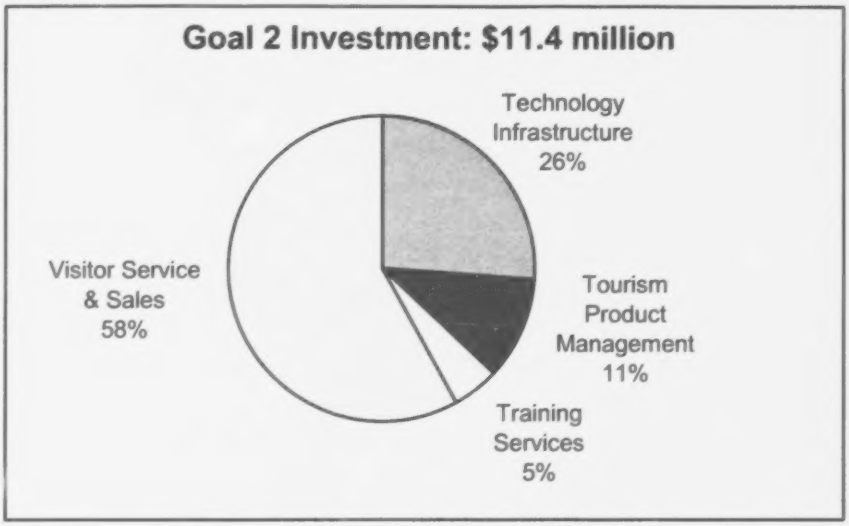
2010 Olympic and Paralympic Winter Games Volunteer Training
The 2010 Olympic and Paralympic Winter Games and the tourism industry will require 40,000 volunteers in need of an overall orientation to the Games, customer service training and general community visitor information. In co-operation with VANOC and the industry, Tourism BC will implement a standardized core program based on *Welcome the World Ambassadors* for the tourism portion of volunteer training to be developed and implemented over a three-year time frame.

Key Strategies
- Expand sales effort to corporate businesses
- Work with community organizations to promote increased participation
- Increase product family with the launch of Service for our Chinese Visitors in spring 2007
- Create five new modules for *SuperHost 2010 and Beyond* initiatives
- Implement province-wide *Welcome the World Ambassadors* training program for volunteers
- Work closely with Legacies Now, Volunteers Now and VANOC in the design and development of a core training program
- Develop an implementation plan in coordination with SuperHost agencies throughout BC.

INFORMATION TECHNOLOGY

Information Technology (IT) provides technology leadership for Tourism British Columbia, and to the industry through the development and implementation of IT strategies to support current and future business requirements. In addition to day-to-day responsibilities for office systems and business applications, this unit is also responsible for maintaining technical support for all of Tourism BC's business applications, including websites.

Key Strategies
- Maintain effective and efficient performance of the technology platform at Tourism BC
- Apply best practice of IT governance and project management to all IT projects
- Implement enabling technology in infrastructure, data management, and business applications to support Tourism BC's business mandate
- Ensure the technology platform provides expanded options for both industry suppliers and consumers in their business dealings with Tourism BC
- Liaise with industry partners to identify complementary technology strategies.



Goal 2: Optimize the BC visitors' experience through customer service

Performance Measures	Performance Targets				
	2005/06 Actual	**2006/07 Forecast**	**2007/08**	**2008/09**	**2009/10**
# of visitors served at Visitor Centres (millions)	3.4	3.5	3.6	3.7	4.0
# of tourism businesses listed on **HelloBC**.com:					
• Accommodation	2,964	2,900	2,900	2,950	3,000
• Non-accommodation	n/a	500	1,000	1,250	1,500
# of participants trained through **SuperHost** training programs.	15,281	20,000	20,000	22,000	24,000

Goal 3: Improve tourism market readiness of new and emerging tourism sectors and products.

BACKGROUND

Strategies under this goal are intended to improve the ability of existing and new tourism operators to access information and services that will help them grow their business by identifying opportunities, acting on them and continuing to innovate. Successfully implemented, these strategies will create the market-ready conditions that help ensure the tourism industry is forward-looking and responsive to tourism market demands.

Business Development

The Business Development division focuses on generating revenue through non-traditional partnerships that include leveraging with partners such as the Tourism Alliance of Western Canada and with the development and operation of business units such as *British Columbia Magazine*. The division also assists the tourism industry through regional, community and sector development and marketing programs as well as providing accurate and relevant research for effective planning.

Marketing Development

Marketing Development assists in tourism planning and marketing program implementation with communities, product and cultural sectors, as well as the six regional destination marketing organizations.

Community Tourism Planning and Development

Communities can participate in overall community tourism development or focus on community sport tourism development. The **Community Tourism Foundations®** development program is designed to assist communities seeking guidance in further developing tourism as an economic development generator. The program offers tools and resources to jointly produce a multi-year community tourism plan and a research-based marketing plan. The Community Sport Tourism development program, which was created in partnership with 2010 Legacies Now, provides the tools and resources to assist in the creation of a community sport tourism plan.

Key Strategies

- Continue to provide the Community Tourism Foundations® development program
- Continue to provide the Community Sport Tourism program in partnership with 2010 Legacies Now, the Canadian Sport Tourism Alliance and the Ministry of Tourism, Sport and the Arts.

Tourism Product Sector Planning and Development

Experiences BC, a tourism product sector planning and development program, is designed to assist existing product and cultural sectors as well as encourage businesses to form sectoral alliances. The program offers tools and resources to jointly produce a multi-year sector tourism plan and a research-based marketing plan.

Key Strategies

- Continue to provide the Experiences BC tourism product sector marketing development program
- Aboriginal tourism development.

Research Services

Research Services builds knowledge, fosters insight and shares information on tourism for Tourism British Columbia, the tourism industry and all stakeholders. To accomplish this, Research Services monitors the performance of the tourism industry and conducts research and analysis to support all planning needs.

Key Strategies

- Develop new volume and revenue methodology
- Develop and implement program, community and sector evaluation tools
- Strengthen relationships with key partners and institutions engaged in research.

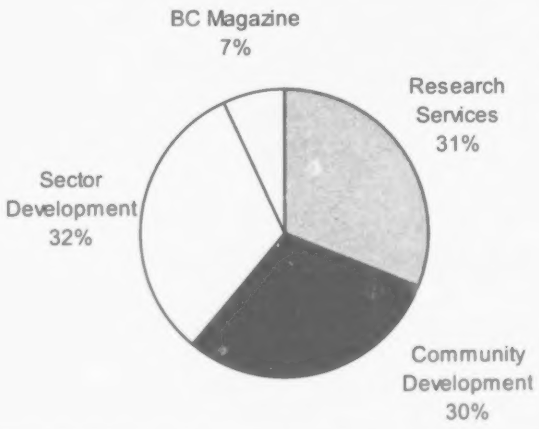
British Columbia Magazine®

This award-winning magazine is read by nearly 1.4 million people in BC, across Canada and around the world. It is used as a cost-effective tool to generate awareness of the province. The magazine features well-researched articles and the highest-quality photography to present BC's natural beauty, diversity of parks, wilderness and wildlife, opportunities for outdoor exploration, adventure and travel, and legacy of history and heritage places. Published quarterly, it continues to inspire travelling audiences with profiles of BC's beautiful places, intriguing journeys and remarkable people.

Key Strategies

- Continue to improve upon all magazine processes and supplier agreements
- Leverage low-cost, high-volume, awareness-building opportunities to increase unit sales and ensure a stabilized circulation base
- Pursue short-term opportunities within the tourism sector and build on long-term engagement with non-tourism advertisers.

Goal 3 Investment: $4.1 million



Goal 3: Improve tourism market readiness of new and emerging tourism sectors and products

Performance Measures	Performance Targets				
	2005/06 Actual	2006/07 Forecast	2007/08	2008/09	2009/10
Total number of communities assisted	126	138	150	162	174
BC Magazine – maintain circulation levels (thousands)	115	116	116	116	116
Unique visits to Research website	15,500	15,000	16,000	17,000	18,000

Goal 4: Create a positive corporate culture within an efficient and effective organization.

Support services include Corporate Services, Facilities, Human Resources, CEO's Office, Board of Directors and Communications. Strategies supporting this goal contribute to Tourism British Columbia's performance by continuing to strengthen the qualities that make it a highly effective organization.

Key Strategies

- Conduct a survey of Tourism BC stakeholders to evaluate effectiveness of programs.
- Maintain administration costs below those of comparable organizations
- Continue to instill a values-based and productive corporate culture.

Performance Measures	Benchmark	Performance Targets				
		2005/06 Actual	2006/07 Forecast	2007/08	2008/09	2009/10
Employee survey: "I am proud to work for my organization"	62%**	95%	95%	95%	95%	95%
"The work I do makes an important contribution to my organization's success"	68%**	87%	93%	93%	93%	93%
Industry Stakeholder satisfaction survey of Tourism British Columbia programs and services (1-5 scale)	3.5	3.93	3.9	3.9	3.9	3.9
Cost of Support Services as a percentage of total budget	17.5%*	8.2%	9.4%	10.0%	9.0%	9.0%

* Benchmark is Canadian Tourism Commission

**Benchmark is Provincial Government public service

SUMMARY FINANCIAL OUTLOOK

$000s	2005/06 Actual restated	2006/07 Forecast	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate
Revenue					
Hotel room tax (note 1)	$ 27,565	$ 30,900	$ 32,400	$ 61,700	$ 64,800
Grant from Ministry of Tourism Sport and Arts (note 2)	22,435	19,100	17,600	-	-
Other Provincial Government contributions	399	624	50	200	200
	50,399	50,624	50,050	61,900	65,000
Interest and other	506	716	580	480	480
	50,905	**51,340**	**50,630**	**62,380**	**65,480**
Operations, net					
Marketing	27,476	27,023	26,649	36,095	37,978
Visitor servicing	11,124	11,436	11,487	11,468	12,333
Business development	4,463	4,439	4,107	5,951	6,180
Support services	4,692	4,742	5,037	5,166	5,289
Amortization	1,556	3,700	3,350	3,700	3,700
Writedown of intangible asset	570	-	-	-	-
	49,881	**51,340**	**50,630**	**62,380**	**65,480**
Net operating revenue	**1,024**	**-**	**-**	**-**	**-**
Accumulated surplus, ending	**5,048**	**5,048**	**5,048**	**5,048**	**5,048**
Capital investment					
Marketing technology and website	2,665	2,109	3,723	2,745	1,820
Osoyoos Gateway Visitor Centre	25	1,992	-	-	[illegible]
Peace Arch Gateway Visitor Centre	-	12	4,570	-	[illegible]
Merritt Gateway Visitor Centre	-	23	3,066	-	-
Other	642	437	461	671	165
	3,332	**4,573**	**11,820**	**3,416**	**1,985**
FTEs	129	138	143	145	146

Key Assumptions and Risks

Note 1 Hotel tax revenue forecasts provided by the Ministry of Finance. Currently, Tourism BC receives 1.65 points of the 8% hotel tax. Beginning in fiscal 2008/09, the plan assumes that Tourism BC will receive 3.0 points of the 8% hotel tax.

Note 2 Until 2008/09, Tourism BC's annual funding is a fixed $50 million, sourced from their share of the hotel tax and an annual operating grant from a voted appropriation from the Ministry of Tourism, Sport and the Arts. The risk of a decline in hotel tax would be offset by an increase to the ministry grant in order to maintain total funding of $50 million.

APPENDIX 1: BOARD OF DIRECTORS

Allen Tozer
Chair
Allen Tozer was appointed in 2002. He is president of Lexlaur Properties Inc., a hospitality and commercial property company. Mr. Tozer is a member of the board of governors of Okanagan College, member of the board of BC Assessment, vice president of finance and director of the Thompson Okanagan Tourism Association and coordinator of the Okanagan Wine Festivals Society. He served as president of the Thompson Okanagan Tourism Association in 1998, and of its precursor –the Okanagan Similkameen Tourism Association– from 1995 to 1998, after serving five years as a director.

Kevin Walker
Vice Chair
Kevin Walker was appointed in 2006. He is president of Walker Hospitality, which owns and operates the Oak Bay Beach Hotel in Victoria and manages the Miraloma on the Cove, a five-star boutique hotel in Sidney, BC. With a career in tourism spanning 30 years, Mr. Walker is currently a member of the Premier's Tourism Industry Advisory Council as well as chair of the Hotel Association of Canada. In 2005, Mr. Walker received the prestigious "BC Tourism Industry Leader of the Year" award.

Bill Barkley
Bill Barkley was appointed in 2006. He is very well known in the museum, heritage and tourism circles. He spent 24 years in management at the Royal British Columbia Museum and from 1984 to his retirement in 2001 was the CEO. Currently, Mr. Barkley is a busy cultural consultant working on projects in BC and across Canada. He serves on several boards, including those of Craigdarroch Castle, the Nature Conservancy of Canada, the Federation of Canadian Friends of Museums, and as chair of the Virtual Museum of Canada.

Frank Bourree
Frank Bourree was appointed in 2001 and is a principal in Chemistry Consulting. Formerly a business consulting partner for Grant Thornton LLP's Business Consulting Services division in Victoria, Mr. Bourree has more than 25 years of personal and professional experience in the tourism and hospitality industry. He is widely recognized as an expert advisor to the accommodation and food and beverage sectors.

David Brownlie
David Brownlie was appointed in 2006. He is CEO of Intrawest Mountain Resorts, with properties including Whistler Blackcomb and Panorama. A graduate of the University of British Columbia and a chartered accountant, Mr. Brownlie has played an integral role in the development of these resorts and is an active participant in the community. He serves as a director for the Whistler Resort Association and the Whistler Blackcomb Foundation.

Harley Elias
Harley Elias was appointed in 2005 and is a director for Tourism Campbell River and Region. He has a broad-ranging background in tourism education, market research, hospitality consulting, resort operations and management. Mr. Elias also serves as co-chair of the board of the BC Centre for Tourism Leadership and Innovation.

Terry Farmer
Terry Farmer was appointed in 2004. He is the founder and president/CEO of Accent Inns Inc. He is past president of the BC Chamber of Commerce and has sat on many tourism business and charity boards. In 1998, Mr. Farmer was awarded the Entrepreneur of the Year Award for Tourism and Hospitality (Pacific Region).

Kelley Glazer
Kelley Glazer was appointed in 2001. She is the director of sales and marketing for the Delta Victoria – Ocean Pointe Resort & Spa. Formerly the director of sales and marketing for the Ramada Hotel Downtown in Prince George, Ms. Glazer has also served as president of the Northern British Columbia Tourism Association and as a director of the Council of Tourism Associations of British Columbia.

John Korenic
John Korenic was appointed in 2002. He is the aviation marketing director for the Vancouver International Airport Authority. He was also formerly a director of Pacific and Europe Alliances for Canadian Airlines International Ltd. and worked with Wardair Canada Inc.

Charles McDiarmid
Charles McDiarmid was appointed in 2002. He is the managing director of the Wickaninnish Inn & Pointe Restaurant at Tofino, near the Pacific Rim National Park. He also served as Tourism Vancouver's sales director after working for the Four Seasons Hotel Group in management positions in Calgary, Washington, DC., Dallas, Newport Beach and Seattle.

Debbie McKinney
Debbie McKinney was appointed in 2006. She is General Manager, Group Sales and Marketing, with one of British Columbia's most unique private visitor attractions - Hell's Gate Airtram. She has had extensive industry involvement, including a wide range of positions with the Vancouver Attractions Group, Vancouver, Coast & Mountains Tourism Region and the Council of Tourism Associations. She currently chairs the Vancouver Attractions Group and has a strong commitment to destination development and marketing *Super, Natural British Columbia* to the world.

Stuart McLaughlin
Stuart McLaughlin was appointed in 2002. He is president of Grouse Mountain Resorts, Whistler Water, Polaris Water Company and a director of the Mountain Experience for Kicking Horse Mountain Resort. He is a past chair of Tourism Vancouver.

Don Monsour
Don Monsour was reappointed in 2004. Mr. Monsour chairs both the Victoria Restaurant Association and the International Culinary Tourism Association (ICTA). Mr. Monsour is also a past president of the British Columbia Restaurant and Foodservices Association.

Mike Smith
Mike Smith was appointed in 2006. He is a principal with Links Investments Ltd, a consulting/management business focusing on the golf industry in British Columbia. He was the owner/operator of a successful group of retail stores in the Kootenay Rockies and has had extensive experience in destination marketing. Currently chair of Kootenay Rockies Tourism, Mr. Smith has contributed tremendously to the development of the tourism industry in British Columbia.

APPENDIX 2: PERFORMANCE MANAGEMENT SYSTEMS

To ensure Tourism BC continues to be responsive to the needs of the tourism industry, performance measures have been incorporated at three levels: industry performance, corporate performance, and individual business unit performance. The following table highlights the key industry and corporate performance measures.

Performance Measure	Objective of Measure	Data Source
Provincial tourism revenues	To track progress towards doubling tourism revenues by 2015.	Tourism BC. The base revenue was established in a 1996 Angus Reed survey *BC Visitor Study*. Tourism BC updates the data annually by monitoring an extensive combination of indicators with particular focus on accommodation statistics such as room revenue, occupancy levels and average daily room rates. In addition, Tourism BC monitors visits through customs entries, airport arrivals, cruise ship activity, attendance at provincial parks, ferry and highway traffic, and visitor party information gathered from the 110+ Visitor Centres.
ROI, North America program	To measure the return on investment from Tourism BC's North America promotions.	Ongoing Conversion Studies from an independent third party.
Equivalent dollar value of unpaid media	To measure the value of unpaid coverage of British Columbia tourism in print, TV, radio.	Tourism BC
Unique visitors to consumer websites(millions)	To track # of visitors to Tourism BC consumer website as a success indicator of marketing programs.	Tourism BC
BC's share of Canadian product in key tour operator offerings	Track BC product availability within key trade accounts.	Tourism BC
Number of consumers in worldwide marketing database	To track # of consumers demonstrating interest in visiting British Columbia.	Tourism BC

Performance Measure	Objective of Measure	Data Source
# of visitors served at Visitor Centres (millions)	To measure # of visitors seeking tourist information at the 110 Visitor Centres throughout the Province.	Tourism BC
# of tourism businesses listed on **HelloBC**.com: • Accommodation • Non-accommodation	To track # of tourism businesses registering for Tourism BC online programs	Tourism BC
# of participants trained through **SuperHost**® training programs.	To measure one of mandated objectives: "enhance professionalism in the tourism industry".	Tourism BC
Number of Communities assisted	To measure # of BC communities assisted by TBC community programs	Tourism BC
BC Magazine – circulation (thousands)	To measure exposure of Tourism BC's highly acclaimed magazine.	Tourism BC
Unique visits to Research website	To measure number of users of Tourism BC-produced tourism industry research.	Tourism BC
Employee survey	To measure employee satisfaction.	Tourism BC "Culture Survey"
Industry Stakeholder satisfaction survey of Tourism British Columbia programs and services (1-5 scale)	To measure external stakeholder satisfaction with Tourism BC programs.	Annual Stakeholder Survey – Tourism BC Research Dept.
Support Services costs	To measure support services costs and compare against similar organizations to demonstrate efficiency.	Tourism BC; Canadian Tourism Commission

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VANCOUVER
CONVENTION CENTRE EXPANSION
PROJECT

2007/08 - 2009/10 Service Plan

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Message from the Board Chair to the Minister Responsible

To the Minister of Tourism, Sport and the Arts

On behalf of the Vancouver Convention Centre Expansion Project Ltd. (VCCEP) Board of Directors, I am pleased to present the Corporation's Service Plan for the fiscal years 2007/08 through 2009/10.

VCCEP was incorporated on February 13, 2003 to design, construct, and commission an expansion to the existing Vancouver Convention and Exhibition Centre, including a connector between the new and existing facilities, and to undertake renovations within Canada Place.

This Project will provide much needed expansion of convention facilities in the Lower Mainland. On completion, the expanded convention centre will feature 722,000 square feet of function space and 384,000 square feet of back of house and support space for a total of 1,106,000 square feet. The expanded Centre's capacity can accommodate conventions of up to 10,000 delegates (or multiple smaller ones simultaneously) and could operate at close to one million delegate days per year.

VCCEP represents a significant investment in tourism for the province. The total budget for this Project has been revised to $623.1 million from $615 million for the expansion, upgrades of the existing Vancouver Convention and Exhibition Centre, and the interconnection of the existing and new facilities. The additional $8.1 million is required to meet the escalated cost of contracts that must be committed to by the end of February 2007, to meet the Project's current schedule.

In response to the significant cost escalation and skilled labour availability pressures persisting in the Vancouver construction market, VCCEP is undertaking a comprehensive review of its construction budget and schedule.

Preliminary estimates of an updated Project cost are in the range of $800 million depending on the contract model selected.

The 2007/08 – 2009/10 Vancouver Convention Centre Expansion Project Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The Board is accountable for the contents of the plan, including the selection of performance measures and targets which are based upon the progress of the Project to date and an assessment of the environment in which VCCEP is proceeding with its design and construction of the Expansion Project. The plan is consistent with government's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions, and identified risks as of February 12, 2007 have been considered in preparing the plan. The Board is accountable for ensuring the Vancouver Convention Centre Expansion Project Ltd. achieves its specific objectives identified in the plan and for measuring and reporting actual performance. The performance targets in this plan have been determined based on an assessment of Vancouver Convention Centre Expansion Project Ltd.'s operating environment, forecast conditions, risk assessment and past performance.

Ken Dobell, Chair
VCCEP Board of Directors

Organizational Overview

The Vancouver Convention Centre Expansion Project Ltd. (VCCEP) is a Provincially held limited corporation incorporated under the *BC Business Corporations Act*. VCCEP was established to design, build, and commission the Vancouver Convention and Exhibition Centre Expansion Project.

VCCEP reports to the Minister of Tourism, Sport and the Arts through a Board of Directors who provides direction and leadership to the Corporation. (See Corporate Governance section for further details on Board structure.)

The Board of Directors has adopted the guiding principles included in the provincial government's Governance Framework that provides an understanding of the roles and responsibilities of all parties that are part of the Crown corporation governance environment. The Board of Directors appoints a President and Project Director to manage the completion of the Expansion Project in accordance with VCCEP's corporate principles and policies.

VCCEP continues to consult with BC Pavilion Corporation's (PavCo) convention centre management team (VCEC), on all design matters potentially impacting future operation. To ensure communications between the two Provincial companies are effective, VCCEP's Board continues to facilitate joint Directors' meetings.

VCCEP currently has four full and part-time employees and also utilizes the equivalent of 11.5 FTE's of contract project management and administrative staff.

The Corporation's Project office is located, and may be contacted, at:

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www.vccep.bc.ca

Expansion Project Overview

The scope of the Project includes: the design, construction and commissioning of an expansion to the existing Vancouver Convention and Exhibition Centre, a connector between the new and existing facilities, and renovations to facilities within Canada Place.

The Project Budget is $623.1 million with contributions confirmed as follows:

	($ in thousands)
Province of BC	$280,600
Government of Canada	222,500
Tourism Vancouver	90,000
VCCEP-Generated Revenue	30,000(1)
Total	$623,100

(1) VCCEP has negotiated revenue generation through a number of supplier and commercial programs. At the direction of the Shareholder, the majority of this revenue may be taken either as upfront payments to reduce the Provincial contribution, or, taken over a period of years to potentially offset annual operating costs of the Convention Centre. VCCEP is forecasting that up to $70.0 million of revenue could be realized in up-front payments or in a commensurate amount over an operating period.

The Expansion Project is scheduled for completion by the end of 2008. Recent challenges may delay substantial completion into the first quarter of 2009, but every effort is being made to maintain the target date. The complete Project Schedule recognizes that the existing facility will then undergo modifications and the entire facility will be made available as the international broadcast and media centres for the 2010 Winter Olympic and Paralympic Games. The Schedule is regularly reviewed and will be updated throughout the life of the Project.

Since our last report in January 2006, VCCEP has made progress as follows:

- Completed detailed design and construction documentation.
- Completed site preparation and ground densification activities and off-shore compaction grouting.
- Completed Pile driving in May 2006.
- Completed 70% of the Expansion's concrete foundation.
- Commenced structural steel erection.
- Completed the Earth Retaining Structure Project (City of Vancouver parkade) in June, 2006.
- Tendered 85% (January 2007) of its construction requirements.
- Completed negotiation of agreements for Communications and Integrated Building Systems contracts under its revenue generation program.
- Realized independent third party contributions to the Project to aid in the leveraging of the public's investment in the Project.
- Received an award from the Association of Professional Engineers and Geoscientists of BC for innovative marine habitat design.

VCCEP is currently undertaking the following:

- Finalizing agreements with the Commercial Development proponent.
- Renewed negotiations with its Construction Manager on the transfer from VCCEP of the remaining construction cost and schedule risks.
- A re-examination of the impacts of persistent market place construction cost escalation and skilled labour supply challenges.
- Preparing to report to Government on the outcome of these activities.
- Continued exploration of opportunities for offsets to construction cost increases.
- Continued exploration of options to maximize the sustainable attributes of the new facility.
- Continued exploration of options to leverage the return on the public investment in the facility by identifying third party contributions towards enhancements to the facility.

Corporate Governance

MINISTER RESPONSIBLE

Honourable Stan Hagen, Minister of Tourism, Sport and the Arts

The Corporation maintains an effective working relationship with the Minister through monthly Project reporting and regular in-person meetings of the Chair and senior staff. The Ministry's Deputy Minister is appointed as a member of the Corporation's Board of Directors

BOARD OF DIRECTORS

VCCEP is currently governed by a six-member Board of Directors appointed by the Shareholder. Current members include the following:

- Ken Dobell (Chair) – Independent Consultant
- Terry A. Lyons – Chairman, Northgate Minerals Corporation
- Bruce Okabe, Deputy Minister, Tourism, Sport and the Arts
- Grant Ritchie – Independent Consultant, former Senior Vice President, UMA Engineering Ltd.
- Paul Taylor (Chair, Audit Committee) – President & CEO, ICBC
- Andrew Wilkinson – Lawyer

Bruce Okabe joined the Board in September 2006 to fill the seat previously held by Virginia Greene who resigned in May 2006.

Biographies of the Board members are published on the VCCEP website (www.vccep.bc.ca).

The activities of the Board are guided by the VCCEP Board of Directors Charter. VCCEP has a clear understanding of the roles and responsibilities of its Shareholder and Minister Responsible. VCCEP is continuing its identification of potential additional Directors who possess skills and experience in areas relevant to the Corporation's mandate that would augment the expertise of the current Board. The Board Charter is available on the VCCEP website.

The Board Chair, President, and Corporate Secretary ensure that the Board encourages new Directors to participate and be effective as soon as possible. The President and Corporate Secretary provide new Directors with a reference guide "VCCEP Board of Directors Guidebook" and a personal Project briefing. VCCEP also provides ongoing education for Directors with respect to the organization, its sector and corporate governance. Directors are encouraged to attend educational opportunities in the areas of organization and corporate governance. In addition, the Project Team conducts briefings and Board presentations on a regular basis.

VCCEP's Directors meet together, without Management present, at Board and Committee meetings under an 'In Camera' section that is included on all agendas as a standing item.

VCCEP's Directors engage in annual self appraisal of the function of the Board and its Committee and in externally facilitated 360° reviews of its President & Project Director and its Corporate Secretary.

COMMITTEES

Due to VCCEP's specific purpose and time limited mandate, and due to the composition of the VCCEP Board, the Board limited its formation of committees to two to assist it in fulfilling its governance responsibilities: an Audit Committee and a Committee of the Whole.

The Audit Committee, comprised of two Directors having extensive financial expertise - Paul Taylor (Chair) and Terry Lyons, deals with Audit and Financial related matters. The Audit Committee Chair also serves as the identified direct recipient should any confidential information be forwarded under the Corporation's Whistleblowing Policy. The Committee of the Whole is comprised of all Directors and deals with Governance, Performance, Human Resources and Remuneration. Charters for both Committees are available on the VCCEP website.

EXECUTIVE GROUP

VCCEP is led by a team of executives with extensive experience in planning, designing and building major projects within Canada. The Executive group includes:

- Russell J. Anthony – President & Project Director [1]
- Colin E. Smith – Chief Financial Officer & Corporate Secretary [1]
- David N. Walker – Project Manager
- Lou Zoldan – Project Controls Manager
- Ken Grassi – Design Manager
- Krista Freeman, Project Controller [1]
- Alexandra Wagner – Assistant Corporate Secretary [1]

(1) *Corporation Officers*

Other Projects Overview

VCCEP has entered into (or is preparing to do so) the following third party Agreements with other funding agencies for the construction of facilities that are ancillary to the Expansion Project.

1. Water Management Showcase Project

   Western Economic Diversification Canada (WED) has agreed to contribute up to $2.1 million for a water management showcase project that is incremental to the Expansion Project. This project, which includes a blackwater treatment plant and a desalinization plant, is scheduled to be completed in 2008. This project will be completed within WED's contribution. To date, WED has contributed $0.9 million. The balance of funds will be received from WED as expenditures are incurred.

2. Earth Retaining Structure (City of Vancouver Parkade)

   The City of Vancouver contributed $4.1 million to VCCEP for the construction of this structure which will underlie the future Thurlow Plaza and the transition zone to the Vancouver Parks Board lands to the west of the Project. This structure houses 104 parking stalls that are accessible from Lower Waterfront Road. This project was completed on time and within budget in June, 2006.

3. Central Mechanical Plant

   VCCEP is reviewing options related to the financing, construction, operations and maintenance of a central mechanical plant that will provide the future heating and cooling requirements of the Expansion Facility.

4. Revenue Generation

   VCCEP has also entered into a number of negotiated revenue generation agreements under which VCCEP is forecasting that up to $70 million in up-front payments or in a commensurate amount over an operating period will be realized.

Strategic Context

Vision: To position Vancouver as a global destination in the convention centre market and create a unique waterfront experience for visitors and citizens alike.

Mission: To create a world class convention facility while simultaneously completing the vibrant urban experience for the people of Vancouver.

Planning Context

VCCEP was incorporated in February 2003 for the purpose of designing, building, and commissioning the new Convention and Exhibition Centre facilities, renovating the existing leased facilities within Canada Place, and linking the two sites to form an integrated convention and exhibition centre. As such, a number of factors may influence the Corporation, presenting challenges, opportunities, and risks.

Confirmed contributions for the Project total $623.1 million — the Province of British Columbia (up to $280.6 million); Government of Canada ($222.5 million); and Tourism Vancouver ($90.0 million). The balance of $30.0 million will be funded by VCCEP through its generation of revenue through a number of supplier and commercial programs. Generation of a total of $70.0 million as up-front payments or equivalent revenue over time is currently forecast. At the direction of its Shareholder, the majority of this revenue may be taken either as upfront payments to reduce the Province's capital contribution, or, taken over a period of years to potentially offset operating costs of the Convention Center.

VCCEP will continue to pursue additional sustainability–related enhancements to the Project as opportunities present themselves. VCCEP continues to pursue opportunities to leverage the public investment in the Project by obtaining funding from independent third parties who may be interested in contributing to other enhancements and betterments that are outside of the Project's approved budget and scope.

Risk Factors and Mitigation

From Project inception, a rigorous risk management plan built on industry best practices and a strict regime of written procedures and controls for contingency management was established by VCCEP's Board of Directors.

Initially, VCCEP established three allowances (design, escalation, and construction) within its budget for anticipated/identifiable risks associated with items whose scope were not fully determined at the time the original Project Budget was prepared.

The design allowance was established for design evolution and development, but not for changes in scope.

The escalation allowance was based upon 2003 market conditions and industry forecasts with annual ranges from 2% to 5% for some trades, with others as high as 16% (metals). This allowance has been allocated on a trade by trade basis.

The construction allowance is a general allowance to cover items such as unexpected site conditions/soils, design revisions/coordination, owner requests, acceleration, environmental, code requirement, and contract scope changes after contract award. It was based on historic performance of similar projects and the experience of the Project Team and consultants.

In addition to these allowances, that were expected to be expended during the course of construction, a Project contingency (centralized, unallocated budgetary reserve) was established to cover unforeseen costs which were likely to occur within the defined Project scope of work. Typical elements of uncertainty included design development; unexpected site conditions/soils; labour availability/productivity disruptions; new technology costs or delivery times; unsecured insurance claims; and changes in design criteria. In the current construction market, significant material cost escalation and skilled labor supply shortages have also caused continuing cost pressures.

VCCEP employs best practices to mitigate construction risks and to enforce cost control discipline (especially with respect to change order and claims management). For example, its construction procurement (85% concluded at January 2007) utilizes open tendering, international bidding, and the utilization of a fairness commissioner on major awards. It also undertakes extensive third-party reviews and value engineering analyses.

The Corporation undertakes monthly cost reviews, and forecasts utilization of remaining allowances and Project contingency to forecast the cost to completion of the approved scope of the Expansion facility.

Notwithstanding these "best practices", significant cost pressures are arising. Following negotiations in January, 2006, VCCEP's Board declined to convert its construction management–at-fee contract with the Project's construction manager to a contract on an at-risk basis because the premium and exceptions were deemed to be unacceptable. VCCEP is currently re-exploring its construction management options for the completion of the Project as part of its ongoing efforts to mitigate the persistent cost pressure impacts on the Project's budget.

Objectives

The Vancouver Convention Centre Expansion Project objectives are to create an expanded facility that would facilitate the following.

1. Allow Vancouver to remain competitive in convention markets by retaining existing events which are expanding beyond current capacity and securing new meeting, convention and event business.

2. Generate economic benefits through jobs and tax revenues from out-of-province visitors that will provide governments with the opportunity to enhance Provincial and Federal revenues.

3. Complement the role of Canada Place as an internationally recognized symbol welcoming visitors to Canada and as a signature feature of the Vancouver waterfront.

4. Maintain and enhance features that have given Vancouver its competitive edge in the market.

5. Meet a high level of environmental and sustainability standards for convention centres, thereby enhancing Vancouver's position in the marketplace.

6. Provide significant public amenities and meet the requirements for a desirable city context.

VCCEP has developed a comprehensive Project Implementation Plan (PIP). The PIP is a critical component to the successful planning and delivery of the Expansion Project.

The PIP provides the Project Team with a common understanding of the fundamental goals and objectives of the Project, and its scope, budget, schedule, and procedures adopted to meet those goals. It is the baseline document that defines the Project and how it will be implemented. The PIP was reviewed and approved by Treasury Board and has been signed off by Tourism Vancouver, the Government of Canada and by PavCo/VCEC (the existing Convention Centre operator).

VCCEP's Project Implementation Plan focuses on three distinct areas.

Volume 1: Project Definition specifies issues of scope, budget, and schedule, identifies key issues, and introduces the corporate organization.

Volume 2: Implementation Strategies documents a series of implementation strategies for key components of the Project, including Project Team organization, design, and cost management strategies, financial considerations, value engineering, reporting, communications, and the approaches taken with respect to important aspects of Project implementation planning.

Volume 3: Project Controls and Procedures details controls, procedures, and processes that have been implemented by VCCEP for the proper analysis, control, reporting, and management of key Project elements.

Goals and Strategies

Goal #1: To design, build and commission an expansion that meets the operating requirements of the existing Vancouver Convention and Exhibition Centre (the Expansion Program), to design and construct a connector between the new and existing facilities (together the Integration Program), and to undertake renovations within Canada Place (Upgrade Program).

Strategies:

- Manage schedule, budget, and quality objectives through continuous and rigorous monitoring of progress towards achievement of Project milestones and by Corporate reporting on a monthly, quarterly and annual basis.

Goal #2: To effectively manage the Project budget, schedule, and related activities to ensure timely delivery of the Project within its established budget, as approved by Treasury Board.

Strategies:

- Follow the Province's governance guidelines to ensure practices are consistent with corporate governance standards for BC's public sector organizations and apply cost containment strategies as outlined in this service plan.

Goal #3: Implement and manage an effective revenue generation program.

Strategies:

- Continue to identify and add potential sources of revenue (both cash and value-in-kind) and initiate agreements for the creation of further business alliances.

Performance Measures and Targets

The expansion facility is scheduled to be substantially complete by the end of 2008. Recent challenges may delay substantial completion into the first quarter of 2009, but every effort is being made to maintain the target date.

The following Project milestones represent significant stages of completion of the Expansion Project. The Expansion Facility will be showcased to the world during its use as the international broadcast centre during the 2010 Winter Olympic Games.

	MEASURE	ACTUAL	FORECAST	TARGETS		
		2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
Goals 1 & 2	**Canada Way Viaduct**	100% Complete				
	Foundation Construction	25% Complete	85% Complete	100% Complete		
	Pile Driving	90% Complete	100% Complete			
	Design Development	75% Complete	100% Complete			
	Structural Steel Erection		Commenced	100% Complete		
	Construction Documents	75% Complete	100% Complete			
	Glazed Curtain Wall		To Commence	80% Complete	100% Complete	
	Living Roof			To Commence	100% Complete	
	Interior Finishes			To Commence	100% Complete	
	Connector Construction	Commenced	25% Complete	100% Complete		
	Canada Place Upgrades				To Commence	100% Complete
Goal 3	**Revenue Generation**	Commenced	Complete			

VCCEP's other projects will be completed as shown below.

	MEASURE	ACTUAL	FORECAST	TARGETS		
		2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
	Water Management Showcase Project	Commenced	25% Complete	80% Complete	100% Complete	
	City of Vancouver Parkade	98% Complete	100% Complete			
	Central Mechanical Plant			To Commence	100% Complete	

Linkages to Government Strategic Priorities

VCCEP's Service Plan strategies are consistent with and support the government's strategic priorities. VCCEP is an integral part of the government's plan to promote economic growth and job creation in British Columbia's economy.

The state-of-the-art convention centre and upgrades to the existing Convention Centre will generate positive, long-term impacts on tourism and contribute to future economic growth for British Columbia and Canada.

Project benefits arise firstly from its construction, followed by the incremental convention attendance and onward visitation of non-resident delegates, and finally by repeat tourist visits by previous delegates and their families.

All of these events create or sustain employment, and generate economic activity throughout British Columbia.

Summary Financial Outlook

Confirmed Capital Contributions

	($ thousands)
Province of BC	$280,600
Government of Canada	222,500
Tourism Vancouver	90,000
VCCEP Revenue Generation	30,000[1]
Total	$623,100

[1] VCCEP is negotiating revenue generation through a number of supplier and commercial programs. At the direction of the Shareholder, the majority of this revenue may be taken either as upfront payments to reduce the Provincial contribution, or, taken over a period of years to potentially offset annual operating costs of the Convention Centre. VCCEP is forecasting that up to $70.0 million of revenue could be realized in up-front payments or in a commensurate amount over an operating period.

Summary Financial Outlook ($ thousands)

	Project to Date	Actual	Forecast	Targets (1)		
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Revenue(2)	n/a	51	51	51	3,909	15,428
Expenses(3)	n/a	94	31	6	3,858	15,428
Net Income	n/a	(43)	20	45	51	-
Retained Earnings	1,162(4)	1,119	1,139	1,184	1,235	1,235
Province of BC Capital Contribution(1)(5)	132,148	69,500	70,852(6)	-	8,100	-
Government of Canada Capital Contribution(7)	41,663	38,983	53,784	81,622	6,448	-
Tourism Vancouver Capital Contribution(8)	9,300	19,000	29,600	24,700	7,400	-
VCCEP Revenue Generation(9)	2,589	7,197	12,800	7,700	37,400	12,000
Project Capital Expenditures(1)(10)	105,036	81,771	113,572	192,115	116,034	14,572
Debt	-	-	-	-	-	-
Staff (full-time equivalents) (11)	n/a	14.5	14.5	14.5	14.5	14.5

(1) *Target years forecasts for Project Capital Expenditures and Province of BC Capital Contribution reflect VCCEP's approved budget at the time of preparation of this Service Plan. They are subject to revision as a result of the outcomes of ongoing budget reviews and risk transfer negotiations with the Project's construction manager.*

(2) *Tenant revenues to 2008/09; recognition of deferred revenues and capital contributions beginning in 2008/09.*

(3) *Amortization expense on Project office assets to 2007/08; amortization of Expansion facility beginning in 2008/09.*

(4) *Net Income (loss) added (subtracted) to prior year's retained earnings annually.*

(5) *Provincial contribution includes $3.148 million of piling pipe in-kind received in FY 04/05.*

(6) *$40.852 million received; the timing of receipt and finalization of the remainder of this contribution is dependent upon Treasury Board direction regarding receipt of VCCEP generated revenue.*

(7) *Government of Canada contributions received as reimbursements against eligible expended Project capital expenditures.*

(8) *Tourism Vancouver's contributions are advanced on its behalf by the Province of British Columbia. Tourism Vancouver and the Province have entered into an agreement under which Tourism Vancouver has agreed to pay its $90 million industry contribution to the Province.*

(9) *VCCEP's forecast revenue generation totals $70 million for cash management and commercial / supplier programs, and $9.7 million for in-kind donations. It is based upon funds generated to date and upon negotiated agreements with respondents to VCCEP Requests for Proposals.*

(10) *Other than expenses in Note 2 above, VCCEP incurs no operating costs. All expenditures are capitalized to the Project.*

(11) *VCCEP has four full and part time employees. It also utilizes the equivalent of 11.5 FTE's of contract project management and administrative personnel.*